

AMENDMENTS

OFFERED BY MR. THOMAS

In lieu of the matter proposed to be inserted by the amendment of the Senate to the text of the bill, insert the following:

1 **SECTION 1. SHORT TITLE; ETC.**

2 (a) SHORT TITLE.—This Act may be cited as the “Eco-
3 nomic Security and Worker Assistance Act of 2002”.

4 (b) REFERENCES TO INTERNAL REVENUE CODE OF
5 1986.—Except as otherwise expressly provided, whenever in
6 this Act an amendment or repeal is expressed in terms of an
7 amendment to, or repeal of, a section or other provision, the
8 reference shall be considered to be made to a section or other
9 provision of the Internal Revenue Code of 1986.

10 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

TITLE I—INDIVIDUAL PROVISIONS

Sec. 101. Supplemental stimulus payments.

Sec. 102. Acceleration of 25 percent individual income tax rate.

TITLE II—BUSINESS PROVISIONS

Sec. 201. Special depreciation allowance for certain property acquired after
September 10, 2001, and before September 11, 2004.

Sec. 202. Temporary increase in expensing under section 179.

Sec. 203. Alternative minimum tax reform.

Sec. 204. Carryback of certain net operating losses allowed for 5 years.

Sec. 205. Recovery period for depreciation of certain leasehold improve-
ments.

TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Extensions

Sec. 301. Allowance of nonrefundable personal credits against regular and
minimum tax liability.

Sec. 302. Credit for qualified electric vehicles.

Sec. 303. Credit for electricity produced from certain renewable resources.

Sec. 304. Work opportunity credit.

Sec. 305. Welfare-to-work credit.

Sec. 306. Deduction for clean-fuel vehicles and certain refueling property.

Sec. 307. Taxable income limit on percentage depletion for oil and natural
gas produced from marginal properties.

Sec. 308. Qualified zone academy bonds.

Sec. 309. Cover over of tax on distilled spirits.



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- Sec. 310. Parity in the application of certain limits to mental health benefits.
- Sec. 311. Temporary special rules for taxation of life insurance companies.
- Sec. 312. Availability of medical savings accounts.
- Sec. 313. Incentives for Indian employment and property on Indian reservations.
- Sec. 314. Subpart F exemption for active financing.
- Sec. 315. Repeal of requirement for approved diesel or kerosene terminals.

Subtitle B—Temporary Assistance for Needy Families

- Sec. 321. Reauthorization of TANF supplemental grants for population increases for fiscal year 2002.
- Sec. 322. 1-year extension of contingency fund under the TANF program.

TITLE IV—TAX INCENTIVES FOR NEW YORK CITY AND DISTRESSED AREAS

- Sec. 401. Tax benefits for area of New York City damaged in terrorist attacks on September 11, 2001.

TITLE V—MISCELLANEOUS AND TECHNICAL PROVISIONS

Subtitle A—General Miscellaneous Provisions

- Sec. 501. Allowance of electronic 1099's.
- Sec. 502. Excluded cancellation of indebtedness income of S corporation not to result in adjustment to basis of stock of shareholders.
- Sec. 503. Limitation on use of nonaccrual experience method of accounting.
- Sec. 504. Exclusion for foster care payments to apply to payments by qualified placement agencies.
- Sec. 505. Interest rate range for additional funding requirements.
- Sec. 506. Adjusted gross income determined by taking into account certain expenses of elementary and secondary school teachers.

Subtitle B—Technical Corrections

- Sec. 511. Amendments related to Economic Growth and Tax Relief Reconciliation Act of 2001.
- Sec. 512. Amendments related to Community Renewal Tax Relief Act of 2000.
- Sec. 513. Amendments related to the Tax Relief Extension Act of 1999.
- Sec. 514. Amendments related to the Taxpayer Relief Act of 1997.
- Sec. 515. Amendment related to the Balanced Budget Act of 1997.
- Sec. 516. Other technical corrections.
- Sec. 517. Clerical amendments.
- Sec. 518. Additional corrections.

TITLE VI—UNEMPLOYMENT ASSISTANCE

- Sec. 601. Short title.
- Sec. 602. Federal-State agreements.
- Sec. 603. Temporary extended unemployment compensation account.
- Sec. 604. Payments to States having agreements for the payment of temporary extended unemployment compensation.
- Sec. 605. Financing provisions.
- Sec. 606. Fraud and overpayments.
- Sec. 607. Definitions.
- Sec. 608. Applicability.
- Sec. 609. Special Reed Act transfer in fiscal year 2002.

TITLE VII—DISPLACED WORKER HEALTH INSURANCE CREDIT

- Sec. 701. Displaced worker health insurance credit.
- Sec. 702. Advance payment of displaced worker health insurance credit.



TITLE VIII—EMPLOYMENT AND TRAINING ASSISTANCE AND
TEMPORARY HEALTH CARE COVERAGE ASSISTANCE

Sec. 801. Employment and training assistance and temporary health care coverage assistance.

TITLE IX—TEMPORARY STATE HEALTH CARE ASSISTANCE

Sec. 901. Temporary State health care assistance.

TITLE X—SOCIAL SECURITY HELD HARMLESS; BUDGETARY
TREATMENT OF ACT

Sec. 1001. No impact on social security trust funds.

Sec. 1002. Emergency designation.

1 **TITLE I—INDIVIDUAL PROVISIONS**

2 **SEC. 101. SUPPLEMENTAL STIMULUS PAYMENTS.**

3 (a) IN GENERAL.—Section 6428 (relating to acceleration
4 of 10 percent income tax rate bracket benefit for 2001) is
5 amended by adding at the end the following new subsection:

6 “(f) SUPPLEMENTAL STIMULUS PAYMENTS.—

7 “(1) IN GENERAL.—Each individual who was an eligi-
8 ble individual for such individual’s first taxable year begin-
9 ning in 2000 and who, before October 16, 2001, filed a re-
10 turn of tax imposed by subtitle A for such taxable year
11 shall be treated as having made a payment against the tax
12 imposed by chapter 1 for such first taxable year in an
13 amount equal to the supplemental refund amount for such
14 taxable year.

15 “(2) SUPPLEMENTAL REFUND AMOUNT.—For pur-
16 poses of this subsection, the supplemental refund amount
17 is an amount equal to the excess (if any) of—

18 “(A)(i) \$600 in the case of taxpayers to whom sec-
19 tion 1(a) applies,

20 “(ii) \$500 in the case of taxpayers to whom sec-
21 tion 1(b) applies, and

22 “(iii) \$300 in the case of taxpayers to whom sub-
23 sections (c) or (d) of section 1 applies, over

24 “(B) the taxpayer’s advance refund amount under
25 subsection (e).

26 “(3) TIMING OF PAYMENTS.—In the case of any over-
27 payment attributable to this subsection, the Secretary shall,
28 subject to the provisions of this title, refund or credit such
29 overpayment as rapidly as possible.



1 “(4) NO INTEREST.—No interest shall be allowed on
2 any overpayment attributable to this subsection.”

3 (b) CONFORMING AMENDMENTS.—

4 (1) Subparagraph (A) of section 6428(d)(1) is amend-
5 ed by striking “subsection (e)” and inserting “subsections
6 (e) and (f)”.

7 (2) Subparagraph (B) of section 6428(d)(1) is amend-
8 ed by striking “subsection (e)” and inserting “subsection
9 (e) or (f)”.

10 (c) EFFECTIVE DATE.—The amendments made by this
11 section shall take effect on the date of the enactment of this
12 Act.

13 **SEC. 102. ACCELERATION OF 25 PERCENT INDIVIDUAL**
14 **INCOME TAX RATE.**

15 (a) IN GENERAL.—The table contained in paragraph (2)
16 of section 1(i) (relating to reductions in rates after June 30,
17 2001) is amended—

18 (1) by striking “27.0%” and inserting “25.0%”, and

19 (2) by striking “26.0%” and inserting “25.0%”.

20 (b) REDUCTION NOT TO INCREASE MINIMUM TAX.—

21 (1) Subparagraph (A) of section 55(d)(1) is amended
22 by striking “(\$49,000 in the case of taxable years begin-
23 ning in 2001, 2002, 2003, and 2004)” and inserting
24 “(\$49,000 in the case of taxable years beginning in 2001,
25 \$52,200 in the case of taxable years beginning in 2002 or
26 2003, and \$50,700 in the case of taxable years beginning
27 in 2004)”.

28 (2) Subparagraph (B) of section 55(d)(1) is amended
29 by striking “(\$35,750 in the case of taxable years begin-
30 ning in 2001, 2002, 2003, and 2004)” and inserting
31 “(\$35,750 in the case of taxable years beginning in 2001,
32 \$37,350 in the case of taxable years beginning in 2002 or
33 2003, and \$36,600 in the case of taxable years beginning
34 in 2004)”.

35 (c) EFFECTIVE DATE.—The amendments made by this
36 section shall apply to taxable years beginning after December
37 31, 2001.



1 (d) SECTION 15 NOT TO APPLY.—No amendment made
2 by this section shall be treated as a change in a rate of tax
3 for purposes of section 15 of the Internal Revenue Code of
4 1986.

5 **TITLE II—BUSINESS PROVISIONS**

6 **SEC. 201. SPECIAL DEPRECIATION ALLOWANCE FOR** 7 **CERTAIN PROPERTY ACQUIRED AFTER SEP-** 8 **TEMBER 10, 2001, AND BEFORE SEPTEMBER** 9 **11, 2004.**

10 (a) IN GENERAL.—Section 168 (relating to accelerated
11 cost recovery system) is amended by adding at the end the fol-
12 lowing new subsection:

13 “(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY AC-
14 QUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEP-
15 TEMBER 11, 2004.—

16 “(1) ADDITIONAL ALLOWANCE.—In the case of any
17 qualified property—

18 “(A) the depreciation deduction provided by sec-
19 tion 167(a) for the taxable year in which such property
20 is placed in service shall include an allowance equal to
21 30 percent of the adjusted basis of the qualified prop-
22 erty, and

23 “(B) the adjusted basis of the qualified property
24 shall be reduced by the amount of such deduction be-
25 fore computing the amount otherwise allowable as a de-
26 preciation deduction under this chapter for such tax-
27 able year and any subsequent taxable year.

28 “(2) QUALIFIED PROPERTY.—For purposes of this
29 subsection—

30 “(A) IN GENERAL.—The term ‘qualified property’
31 means property—

32 “(i)(I) to which this section applies which has
33 a recovery period of 20 years or less or which is
34 water utility property, or

35 “(II) which is computer software (as defined
36 in section 167(f)(1)(B)) for which a deduction is



allowable under section 167(a) without regard to this subsection,

“(ii) the original use of which commences with the taxpayer after September 10, 2001,

“(iii) which is—

“(I) acquired by the taxpayer after September 10, 2001, and before September 11, 2004, but only if no written binding contract for the acquisition was in effect before September 11, 2001, or

“(II) acquired by the taxpayer pursuant to a written binding contract which was entered into after September 10, 2001, and before September 11, 2004, and

“(iv) which is placed in service by the taxpayer before January 1, 2005, or, in the case of property described in subparagraph (B), before January 1, 2006.

“(B) CERTAIN PROPERTY HAVING LONGER PRODUCTION PERIODS TREATED AS QUALIFIED PROPERTY.—

“(i) IN GENERAL.—The term ‘qualified property’ includes property—

“(I) which meets the requirements of clauses (i), (ii), and (iii) of subparagraph (A),

“(II) which has a recovery period of at least 10 years or is transportation property, and

“(III) which is subject to section 263A by reason of clause (ii) or (iii) of subsection (f)(1)(B) thereof.

“(ii) ONLY PRE-SEPTEMBER 11, 2004, BASIS ELIGIBLE FOR ADDITIONAL ALLOWANCE.—In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof at-



1 tributable to manufacture, construction, or produc-
2 tion before September 11, 2004.

3 “(iii) TRANSPORTATION PROPERTY.—For pur-
4 poses of this subparagraph, the term ‘transpor-
5 tation property’ means tangible personal property
6 used in the trade or business of transporting per-
7 sons or property.

8 “(C) EXCEPTIONS.—

9 “(i) ALTERNATIVE DEPRECIATION PROP-
10 PERTY.—The term ‘qualified property’ shall not in-
11 clude any property to which the alternative depre-
12 ciation system under subsection (g) applies,
13 determined—

14 “(I) without regard to paragraph (7) of
15 subsection (g) (relating to election to have sys-
16 tem apply), and

17 “(II) after application of section 280F(b)
18 (relating to listed property with limited busi-
19 ness use).

20 “(ii) ELECTION OUT.—If a taxpayer makes an
21 election under this clause with respect to any class
22 of property for any taxable year, this subsection
23 shall not apply to all property in such class placed
24 in service during such taxable year.

25 “(iii) QUALIFIED LEASEHOLD IMPROVEMENT
26 PROPERTY.—The term ‘qualified property’ shall not
27 include any qualified leasehold improvement prop-
28 erty (as defined in section 168(e)(6)).

29 “(D) SPECIAL RULES.—

30 “(i) SELF-CONSTRUCTED PROPERTY.—In the
31 case of a taxpayer manufacturing, constructing, or
32 producing property for the taxpayer’s own use, the
33 requirements of clause (iii) of subparagraph (A)
34 shall be treated as met if the taxpayer begins man-
35 ufacturing, constructing, or producing the property
36 after September 10, 2001, and before September
37 11, 2004.



1 “(ii) SALE-LEASEBACKS.—For purposes of
2 subparagraph (A)(ii), if property—

3 “(I) is originally placed in service after
4 September 10, 2001, by a person, and

5 “(II) sold and leased back by such person
6 within 3 months after the date such property
7 was originally placed in service,
8 such property shall be treated as originally placed
9 in service not earlier than the date on which such
10 property is used under the leaseback referred to in
11 subclause (II).

12 “(E) COORDINATION WITH SECTION 280F.—For
13 purposes of section 280F—

14 “(i) AUTOMOBILES.—In the case of a pas-
15 senger automobile (as defined in section
16 280F(d)(5)) which is qualified property, the Sec-
17 retary shall increase the limitation under section
18 280F(a)(1)(A)(i) by \$4,600.

19 “(ii) LISTED PROPERTY.—The deduction al-
20 lowable under paragraph (1) shall be taken into ac-
21 count in computing any recapture amount under
22 section 280F(b)(2).”

23 (b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—

24 (1) IN GENERAL.—Section 56(a)(1)(A) (relating to de-
25 preciation adjustment for alternative minimum tax) is
26 amended by adding at the end the following new clause:

27 “(iii) ADDITIONAL ALLOWANCE FOR CERTAIN
28 PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001,
29 AND BEFORE SEPTEMBER 11, 2004.—The deduction
30 under section 168(k) shall be allowed.”

31 (2) CONFORMING AMENDMENT.—Clause (i) of section
32 56(a)(1)(A) is amended by striking “clause (ii)” both
33 places it appears and inserting “clauses (ii) and (iii)”.

34 (c) EFFECTIVE DATE.—The amendments made by this
35 section shall apply to property placed in service after Sep-
36 tember 10, 2001, in taxable years ending after such date.



SEC. 202. TEMPORARY INCREASE IN EXPENSING UNDER SECTION 179.

(a) IN GENERAL.—The table contained in section 179(b)(1) (relating to dollar limitation) is amended to read as follows:

“If the taxable year begins in:	The applicable amount is:
2001	\$24,000
2002 or 2003	\$40,000
2004 or thereafter	\$25,000.”

(b) TEMPORARY INCREASE IN AMOUNT OF PROPERTY TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—Paragraph (2) of section 179(b) is amended by inserting before the period “(\$325,000 in the case of taxable years beginning during 2002 or 2003)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 203. ALTERNATIVE MINIMUM TAX REFORM.

(a) REPEAL OF PREFERENCE FOR DEPRECIATION.—

(1) Paragraph (1) of section 56(a) is amended by adding at the end the following new subparagraph:

“(E) TERMINATION.—This paragraph shall not apply to property placed in service in taxable years beginning after December 31, 2001.”

(2) Paragraph (5) of section 56(a) is amended by adding at the end: “This paragraph shall not apply to property placed in service in taxable years beginning after December 31, 2001.”

(b) REPEAL OF 90 PERCENT LIMITATION ON FOREIGN TAX CREDITS.—

(1) Subsection (a) of section 59 is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(2) Subclause (II) of section 53(d)(1)(B)(i) is amended by striking “and if section 59(a)(2) did not apply”.

(c) REPEAL OF 90 PERCENT LIMITATION ON NET OPERATING LOSS DEDUCTION.—Subparagraph (A) of section



1 56(d)(1), as amended by section 204, is amended to read as
2 follows:

3 “(A) the amount of such deduction shall not ex-
4 ceed alternative minimum taxable income determined
5 without regard to such deduction, and”.

6 (d) EFFECTIVE DATE.—The amendments made by this
7 section shall apply to taxable years beginning after December
8 31, 2001.

9 **SEC. 204. CARRYBACK OF CERTAIN NET OPERATING**
10 **LOSSES ALLOWED FOR 5 YEARS.**

11 (a) IN GENERAL.—Paragraph (1) of section 172(b) (relat-
12 ing to years to which loss may be carried) is amended by add-
13 ing at the end the following new subparagraph:

14 “(H) In the case of a taxpayer which has a net
15 operating loss for any taxable year ending during 2001
16 or 2002, subparagraph (A)(i) shall be applied by sub-
17 stituting ‘5’ for ‘2’ and subparagraph (F) shall not
18 apply.”

19 (b) ELECTION TO DISREGARD 5-YEAR CARRYBACK.—Sec-
20 tion 172 (relating to net operating loss deduction) is amended
21 by redesignating subsection (j) as subsection (k) and by insert-
22 ing after subsection (i) the following new subsection:

23 “(j) ELECTION TO DISREGARD 5-YEAR CARRYBACK FOR
24 CERTAIN NET OPERATING LOSSES.—Any taxpayer entitled to
25 a 5-year carryback under subsection (b)(1)(H) from any loss
26 year may elect to have the carryback period with respect to
27 such loss year determined without regard to subsection
28 (b)(1)(H). Such election shall be made in such manner as may
29 be prescribed by the Secretary and shall be made by the due
30 date (including extensions of time) for filing the taxpayer’s re-
31 turn for the taxable year of the net operating loss. Such elec-
32 tion, once made for any taxable year, shall be irrevocable for
33 such taxable year.”

34 (c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT ON
35 CERTAIN NOL CARRYBACKS.—



(1) IN GENERAL.—Subparagraph (A) of section 56(d)(1) (relating to general rule defining alternative tax net operating loss deduction) is amended to read as follows:

“(A) the amount of such deduction shall not exceed the sum of—

“(i) the lesser of—

“(I) the amount of such deduction attributable to net operating losses (other than the deduction attributable to carrybacks described in clause (ii)(I)), or

“(II) 90 percent of alternative minimum taxable income determined without regard to such deduction, plus

“(ii) the lesser of—

“(I) the amount of such deduction attributable to carrybacks of net operating losses for taxable years ending during 2001 or 2002, or

“(II) alternative minimum taxable income determined without regard to such deduction reduced by the amount determined under clause (i), and”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning before January 1, 2002.

(d) EFFECTIVE DATE.—Except as provided in subsection (c), the amendments made by this section shall apply to net operating losses for taxable years ending after December 31, 2000.

SEC. 205. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.

(a) 15-YEAR RECOVERY PERIOD.—Subparagraph (E) of section 168(e)(3) (relating to 15-year property) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) any qualified leasehold improvement property.”



1 (b) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—
2 Subsection (e) of section 168 is amended by adding at the end
3 the following new paragraph:

4 “(6) QUALIFIED LEASEHOLD IMPROVEMENT PROP-
5 ERTY.—

6 “(A) IN GENERAL.—The term ‘qualified leasehold
7 improvement property’ means any improvement to an
8 interior portion of a building which is nonresidential
9 real property if—

10 “(i) such improvement is made under or pur-
11 suant to a lease (as defined in subsection (h)(7))—

12 “(I) by the lessee (or any sublessee) of
13 such portion, or

14 “(II) by the lessor of such portion,

15 “(ii) such portion is to be occupied exclusively
16 by the lessee (or any sublessee) of such portion,
17 and

18 “(iii) such improvement is placed in service
19 more than 3 years after the date the building was
20 first placed in service.

21 “(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—
22 Such term shall not include any improvement for which
23 the expenditure is attributable to—

24 “(i) the enlargement of the building,

25 “(ii) any elevator or escalator,

26 “(iii) any structural component benefiting a
27 common area, and

28 “(iv) the internal structural framework of the
29 building.

30 “(C) DEFINITIONS AND SPECIAL RULES.—For
31 purposes of this paragraph—

32 “(i) COMMITMENT TO LEASE TREATED AS
33 LEASE.—A commitment to enter into a lease shall
34 be treated as a lease, and the parties to such com-
35 mitment shall be treated as lessor and lessee, re-
36 spectively.



1 “(ii) RELATED PERSONS.—A lease between re-
2 lated persons shall not be considered a lease. For
3 purposes of the preceding sentence, the term ‘re-
4 lated persons’ means—

5 “(I) members of an affiliated group (as
6 defined in section 1504), and

7 “(II) persons having a relationship de-
8 scribed in subsection (b) of section 267; except
9 that, for purposes of this clause, the phrase ‘80
10 percent or more’ shall be substituted for the
11 phrase ‘more than 50 percent’ each place it ap-
12 pears in such subsection.

13 “(D) IMPROVEMENTS MADE BY LESSOR.—

14 “(i) IN GENERAL.—In the case of an improve-
15 ment made by the person who was the lessor of
16 such improvement when such improvement was
17 placed in service, such improvement shall be quali-
18 fied leasehold improvement property (if at all) only
19 so long as such improvement is held by such per-
20 son.

21 “(ii) EXCEPTION FOR CHANGES IN FORM OF
22 BUSINESS.—Property shall not cease to be qualified
23 leasehold improvement property under clause (i) by
24 reason of—

25 “(I) death,

26 “(II) a transaction to which section 381(a)
27 applies, or

28 “(III) a mere change in the form of con-
29 ducting the trade or business so long as the
30 property is retained in such trade or business
31 as qualified leasehold improvement property
32 and the taxpayer retains a substantial interest
33 in such trade or business.

34 “(iii) TREATMENT OF FAILURES TO MAINTAIN
35 SUBSTANTIAL INTEREST IN TRADE OR BUSINESS.—
36 In the case of property to which clause (ii)(III)
37 would apply but for the failure of the taxpayer to



1 retain a substantial interest in a trade or business,
2 the remaining adjusted basis of such property shall
3 be depreciated under this section over 39 years.”

4 (c) REQUIREMENT TO USE STRAIGHT LINE METHOD.—
5 Paragraph (3) of section 168(b) is amended by adding at the
6 end the following new subparagraph:

7 “(G) Qualified leasehold improvement property de-
8 scribed in subsection (e)(6).”

9 (d) ALTERNATIVE SYSTEM.—The table contained in sec-
10 tion 168(g)(3)(B) is amended by adding at the end the fol-
11 lowing new item:

“(E)(iv) 15”.

12 (e) EFFECTIVE DATE.—The amendments made by this
13 section shall apply to qualified leasehold improvement property
14 placed in service after September 10, 2001.

15 **TITLE III—EXTENSIONS OF**
16 **CERTAIN EXPIRING PROVISIONS**
17 **Subtitle A—Extensions**

18 **SEC. 301. ALLOWANCE OF NONREFUNDABLE PERSONAL**
19 **CREDITS AGAINST REGULAR AND MINIMUM**
20 **TAX LIABILITY.**

21 (a) IN GENERAL.—Paragraph (2) of section 26(a) is
22 amended—

23 (1) by striking “RULE FOR 2000 AND 2001.—” and in-
24 serting “RULE FOR 2000, 2001, 2002, AND 2003.—”, and

25 (2) by striking “during 2000 or 2001,” and inserting
26 “during 2000, 2001, 2002, or 2003.”.

27 (b) CONFORMING AMENDMENTS.—

28 (1) Section 904(h) is amended by striking “during
29 2000 or 2001” and inserting “during 2000, 2001, 2002, or
30 2003”.

31 (2) The amendments made by sections 201(b), 202(f),
32 and 618(b) of the Economic Growth and Tax Relief Rec-
33 onciliation Act of 2001 shall not apply to taxable years be-
34 ginning during 2002 and 2003.



1 (c) EFFECTIVE DATE.—The amendments made by this
2 section shall apply to taxable years beginning after December
3 31, 2001.

4 **SEC. 302. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

5 (a) IN GENERAL.—Section 30 is amended—

6 (1) in subsection (b)(2)—

7 (A) by striking “December 31, 2001,” and insert-
8 ing “December 31, 2003,” and

9 (B) in subparagraphs (A), (B), and (C), by strik-
10 ing “2002”, “2003”, and “2004”, respectively, and in-
11 serting “2004”, “2005”, and “2006”, respectively, and

12 (2) in subsection (e), by striking “December 31,
13 2004” and inserting “December 31, 2006”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Subparagraph (C) of section 280F(a)(1) is amend-
16 ed by adding at the end the following new clause:

17 “(iii) APPLICATION OF SUBPARAGRAPH.—This
18 subparagraph shall apply to property placed in
19 service after August 5, 1997, and before January
20 1, 2007.”

21 (2) Subsection (b) of section 971 of the Taxpayer Re-
22 lief Act of 1997 is amended by striking “and before Janu-
23 ary 1, 2005”.

24 (c) EFFECTIVE DATE.—The amendments made by this
25 section shall apply to property placed in service after December
26 31, 2001.

27 **SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM**
28 **CERTAIN RENEWABLE RESOURCES.**

29 (a) IN GENERAL.—Subparagraphs (A), (B), and (C) of
30 section 45(c)(3) are both amended by striking “2002” and in-
31 serting “2004”.

32 (b) EFFECTIVE DATE.—The amendments made by sub-
33 section (a) shall apply to facilities placed in service after De-
34 cember 31, 2001.

35 **SEC. 304. WORK OPPORTUNITY CREDIT.**

36 (a) IN GENERAL.—Subparagraph (B) of section 51(c)(4)
37 is amended by striking “2001” and inserting “2003”.



(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

SEC. 305. WELFARE-TO-WORK CREDIT.

(a) IN GENERAL.—Subsection (f) of section 51A is amended by striking “2001” and inserting “2003”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

SEC. 306. DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY.

(a) IN GENERAL.—Section 179A is amended—

(1) in subsection (b)(1)(B)—

(A) by striking “December 31, 2001,” and inserting “December 31, 2003,” and

(B) in clauses (i), (ii), and (iii), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2004”, “2005”, and “2006”, respectively, and

(2) in subsection (f), by striking “December 31, 2004” and inserting “December 31, 2006”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to property placed in service after December 31, 2001.

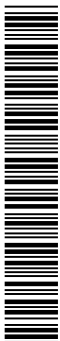
SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL PROPERTIES.

(a) IN GENERAL.—Subparagraph (H) of section 613A(c)(6) is amended by striking “2002” and inserting “2004”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

SEC. 308. QUALIFIED ZONE ACADEMY BONDS.

(a) IN GENERAL.—Paragraph (1) of section 1397E(e) is amended by striking “2000, and 2001” and inserting “2000, 2001, 2002, and 2003”.



(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued after the date of the enactment of this Act.

SEC. 309. COVER OVER OF TAX ON DISTILLED SPIRITS.

(a) IN GENERAL.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2002” and inserting “January 1, 2004”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to articles brought into the United States after December 31, 2001.

SEC. 310. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.

(a) IN GENERAL.—Subsection (f) of section 9812, as amended by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2002, is amended to read as follows:

“(f) APPLICATION OF SECTION.—This section shall not apply to benefits for services furnished—

“(1) on or after September 30, 2001, and before January 10, 2002, and

“(2) after December 31, 2003.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2000.

SEC. 311. TEMPORARY SPECIAL RULES FOR TAXATION OF LIFE INSURANCE COMPANIES.

(a) REDUCTION IN MUTUAL LIFE INSURANCE COMPANY DEDUCTIONS NOT TO APPLY IN CERTAIN YEARS.—Section 809 (relating to reduction in certain deductions of material life insurance companies) is amended by adding at the end the following:

“(j) DIFFERENTIAL EARNINGS RATE TREATED AS ZERO FOR CERTAIN YEARS.—Notwithstanding subsection (c) or (f), the differential earnings rate shall be treated as zero for purposes of computing both the differential earnings amount and the recomputed differential earnings amount for a mutual life



1 insurance company's taxable years beginning in 2001, 2002, or
2 2003."

3 (b) EFFECTIVE DATE.—The amendment made by this sec-
4 tion shall apply to taxable years beginning after December 31,
5 2000.

6 **SEC. 312. AVAILABILITY OF MEDICAL SAVINGS AC-**
7 **COUNTS.**

8 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of section
9 220(i) (defining cut-off year) are each amended by striking
10 "2002" each place it appears and inserting "2003".

11 (b) CONFORMING AMENDMENTS.—

12 (1) Paragraph (2) of section 220(j) is amended by
13 striking "1998, 1999, or 2001" each place it appears and
14 inserting "1998, 1999, 2001, or 2002".

15 (2) Subparagraph (A) of section 220(j)(4) is amended
16 by striking "and 2001" and inserting "2001, and 2002".

17 (c) EFFECTIVE DATE.—The amendments made by this
18 section shall take effect on January 1, 2002.

19 **SEC. 313. INCENTIVES FOR INDIAN EMPLOYMENT AND**
20 **PROPERTY ON INDIAN RESERVATIONS.**

21 (a) EMPLOYMENT.—Subsection (f) of section 45A is
22 amended by striking "December 31, 2003" and inserting "De-
23 cember 31, 2004".

24 (b) PROPERTY.—Paragraph (8) of section 168(j) is
25 amended by striking "December 31, 2003" and inserting "De-
26 cember 31, 2004".

27 **SEC. 314. SUBPART F EXEMPTION FOR ACTIVE FINANC-**
28 **ING.**

29 (a) IN GENERAL.—

30 (1) Section 953(e)(10) is amended—

31 (A) by striking "January 1, 2002" and inserting
32 "January 1, 2007", and

33 (B) by striking "December 31, 2001" and insert-
34 ing "December 31, 2006".

35 (2) Section 954(h)(9) is amended by striking "Janu-
36 ary 1, 2002" and inserting "January 1, 2007".

37 (b) LIFE INSURANCE AND ANNUITY CONTRACTS.—



1 (1) IN GENERAL.—Subparagraph (B) of section
2 954(i)(4) is amended to read as follows:

3 “(B) LIFE INSURANCE AND ANNUITY CON-
4 TRACTS.—

5 “(i) IN GENERAL.—Except as provided in
6 clause (ii), the amount of the reserve of a quali-
7 fying insurance company or qualifying insurance
8 company branch for any life insurance or annuity
9 contract shall be equal to the greater of—

10 “(I) the net surrender value of such con-
11 tract (as defined in section 807(e)(1)(A)), or

12 “(II) the reserve determined under para-
13 graph (5).

14 “(ii) RULING REQUEST, ETC.—The amount of
15 the reserve under clause (i) shall be the foreign
16 statement reserve for the contract (less any catas-
17 trophe, deficiency, equalization, or similar re-
18 serves), if, pursuant to a ruling request submitted
19 by the taxpayer or as provided in published guid-
20 ance, the Secretary determines that the factors
21 taken into account in determining the foreign state-
22 ment reserve provide an appropriate means of
23 measuring income.”

24 (c) EFFECTIVE DATE.—The amendments made by this
25 section shall apply to taxable years beginning after December
26 31, 2001.

27 **SEC. 315. REPEAL OF REQUIREMENT FOR APPROVED**
28 **DIESEL OR KEROSENE TERMINALS.**

29 (a) IN GENERAL.—Subsection (e) of section 4101 is here-
30 by repealed.

31 (b) EFFECTIVE DATE.—The amendment made by sub-
32 section (a) shall take effect on January 1, 2002.



1 **Subtitle B—Temporary Assistance for**
2 **Needy Families**

3 **SEC. 321. REAUTHORIZATION OF TANF SUPPLEMENTAL**
4 **GRANTS FOR POPULATION INCREASES FOR**
5 **FISCAL YEAR 2002.**

6 Section 403(a)(3) of the Social Security Act (42 U.S.C.
7 603(a)(3)) is amended by adding at the end the following:

8 “(H) REAUTHORIZATION OF GRANTS FOR FISCAL
9 YEAR 2002.—Notwithstanding any other provision of
10 this paragraph—

11 “(i) any State that was a qualifying State
12 under this paragraph for fiscal year 2001 or any
13 prior fiscal year shall be entitled to receive from
14 the Secretary for fiscal year 2002 a grant in an
15 amount equal to the amount required to be paid to
16 the State under this paragraph for the most recent
17 fiscal year in which the State was a qualifying
18 State;

19 “(ii) subparagraph (G) shall be applied as if
20 ‘2002’ were substituted for ‘2001’; and

21 “(iii) out of any money in the Treasury of the
22 United States not otherwise appropriated, there are
23 appropriated for fiscal year 2002 such sums as are
24 necessary for grants under this subparagraph.”.

25 **SEC. 322. 1-YEAR EXTENSION OF CONTINGENCY FUND**
26 **UNDER THE TANF PROGRAM.**

27 Section 403(b) of the Social Security Act (42 U.S.C.
28 603(b)) is amended—

29 (1) in paragraph (2), by striking “and 2001” and in-
30 serting “2001, and 2002”; and

31 (2) in paragraph (3)(C)(ii), by striking “2001” and
32 inserting “2002”.



**TITLE IV—TAX INCENTIVES FOR
NEW YORK CITY AND DIS-
TRESSED AREAS**

**SEC. 401. TAX BENEFITS FOR AREA OF NEW YORK CITY
DAMAGED IN TERRORIST ATTACKS ON SEP-
TEMBER 11, 2001.**

(a) IN GENERAL.—Chapter 1 is amended by adding at the
end the following new subchapter:

“Subchapter Y—New York Liberty Zone Benefits

“Sec. 1400L. Tax benefits for New York Liberty Zone.

**“SEC. 1400L. TAX BENEFITS FOR NEW YORK LIBERTY
ZONE.**

“(a) EXPANSION OF WORK OPPORTUNITY TAX CREDIT.—

“(1) IN GENERAL.—For purposes of section 51, a New
York Liberty Zone business employee shall be treated as a
member of a targeted group.

“(2) NEW YORK LIBERTY ZONE BUSINESS EM-
PLOYEE.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘New York Liberty
Zone business employee’ means, with respect to any pe-
riod, any employee of a New York Liberty Zone busi-
ness if substantially all the services performed during
such period by such employee for such business are
performed in the New York Liberty Zone.

“(B) INCLUSION OF CERTAIN EMPLOYEES OUT-
SIDE THE NEW YORK LIBERTY ZONE.—

“(i) IN GENERAL.—In the case of a New York
Liberty Zone business described in subclause (II)
of subparagraph (C)(i), the term ‘New York Lib-
erty Zone business employee’ includes any employee
of such business (not described in subparagraph
(A)) if substantially all the services performed dur-
ing such period by such employee for such business
are performed in the City of New York, New York.

“(ii) LIMITATION.—The number of employees
of such a business that are treated as New York



Liberty zone business employees on any day by reason of clause (i) shall not exceed the excess of—

“(I) the number of employees of such business on September 11, 2001, in the New York Liberty Zone, over

“(II) the number of New York Liberty Zone business employees (determined without regard to this subparagraph) of such business on the day to which the limitation is being applied.

The Secretary may require any trade or business to have the number determined under subclause (I) verified by the New York State Department of Labor.

“(C) NEW YORK LIBERTY ZONE BUSINESS.—

“(i) IN GENERAL.—The term ‘New York Liberty Zone business’ means any trade or business which is—

“(I) located in the New York Liberty Zone, or

“(II) located in the City of New York, New York, outside the New York Liberty Zone, as a result of the physical destruction or damage of such place of business by the September 11, 2001, terrorist attack.

“(ii) CREDIT NOT ALLOWED FOR LARGE BUSINESSES.—The term ‘New York Liberty Zone business’ shall not include any trade or business for any taxable year if such trade or business employed an average of more than 200 employees on business days during the taxable year.

“(D) SPECIAL RULES FOR DETERMINING AMOUNT OF CREDIT.—For purposes of applying subpart F of part IV of subchapter B of this chapter to wages paid or incurred to any New York Liberty Zone business employee—



1 “(i) section 51(a) shall be applied by sub-
2 stituting ‘qualified wages’ for ‘qualified first-year
3 wages’,

4 “(ii) the rules of section 52 shall apply for
5 purposes of determining the number of employees
6 under subparagraph (B),

7 “(iii) subsections (c)(4) and (i)(2) of section
8 51 shall not apply, and

9 “(iv) in determining qualified wages, the fol-
10 lowing shall apply in lieu of section 51(b):

11 “(I) QUALIFIED WAGES.—The term ‘quali-
12 fied wages’ means wages paid or incurred by
13 the employer to individuals who are New York
14 Liberty Zone business employees of such em-
15 ployer for work performed during calendar year
16 2002 or 2003.

17 “(II) ONLY FIRST \$6,000 OF WAGES PER
18 CALENDAR YEAR TAKEN INTO ACCOUNT.—The
19 amount of the qualified wages which may be
20 taken into account with respect to any indi-
21 vidual shall not exceed \$6,000 per calendar
22 year.

23 “(b) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY AC-
24 QUIRED AFTER SEPTEMBER 10, 2001.—

25 “(1) ADDITIONAL ALLOWANCE.—In the case of any
26 qualified New York Liberty Zone property—

27 “(A) the depreciation deduction provided by sec-
28 tion 167(a) for the taxable year in which such property
29 is placed in service shall include an allowance equal to
30 30 percent of the adjusted basis of such property, and

31 “(B) the adjusted basis of the qualified New York
32 Liberty Zone property shall be reduced by the amount
33 of such deduction before computing the amount other-
34 wise allowable as a depreciation deduction under this
35 chapter for such taxable year and any subsequent tax-
36 able year.



1 “(2) QUALIFIED NEW YORK LIBERTY ZONE PROP-
2 ERTY.—For purposes of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified New York
4 Liberty Zone property’ means property—

5 “(i)(I) to which section 168 applies which has
6 a recovery period of 20 years or less or which is
7 water utility property,

8 “(II) which is computer software (as defined
9 in section 167(f)(1)(B)) for which a deduction is
10 allowable under section 167(a) without regard to
11 this subsection, or

12 “(III) which is nonresidential real property, or
13 residential rental property, which is described in
14 subparagraph (B),

15 “(ii) substantially all of the use of which is in
16 the New York Liberty Zone and is in the active
17 conduct of a trade or business by the taxpayer in
18 such Zone,

19 “(iii) the original use of which in the New
20 York Liberty Zone commences with the taxpayer
21 after September 10, 2001,

22 “(iv) which is acquired by the taxpayer by pur-
23 chase (as defined in section 179(d)) after Sep-
24 tember 10, 2001, but only if no written binding
25 contract for the acquisition was in effect before
26 September 11, 2001, and

27 “(v) which is placed in service by the taxpayer
28 on or before the termination date.

29 The term ‘termination date’ means December 31, 2006
30 (December 31, 2009, in the case of nonresidential real
31 property and residential rental property).

32 “(B) ELIGIBLE REAL PROPERTY.—Nonresidential
33 real property or residential rental property is described
34 in this subparagraph only to the extent it rehabilitates
35 real property damaged, or replaces real property de-
36 stroyed or condemned, as a result of the September 11,
37 2001, terrorist attack. For purposes of the preceding



1 sentence, property shall be treated as replacing real
2 property destroyed or condemned if, as part of an inte-
3 grated plan, such property replaces real property which
4 is included in a continuous area which includes real
5 property destroyed or condemned.

6 “(C) EXCEPTIONS.—

7 “(i) ALTERNATIVE DEPRECIATION PROP-
8 erty.—The term ‘qualified New York Liberty
9 Zone property’ shall not include any property to
10 which the alternative depreciation system under
11 section 168(g) applies, determined—

12 “(I) without regard to paragraph (7) of
13 section 168(g) (relating to election to have sys-
14 tem apply), and

15 “(II) after application of section 280F(b)
16 (relating to listed property with limited busi-
17 ness use).

18 “(ii) 30 PERCENT ADDITIONAL ALLOWANCE
19 PROPERTY.—Such term shall not include property
20 to which section 168(k) applies.

21 “(iii) QUALIFIED LEASEHOLD IMPROVEMENT
22 PROPERTY.—Such term shall not include any quali-
23 fied leasehold improvement property (as defined in
24 section 168(e)(6)).

25 “(iv) ELECTION OUT.—If a taxpayer makes an
26 election under this clause with respect to any class
27 of property for any taxable year, this subsection
28 shall not apply to all property in such class placed
29 in service during such taxable year.

30 “(D) SPECIAL RULES.—

31 “(i) SELF-CONSTRUCTED PROPERTY.—In the
32 case of a taxpayer manufacturing, constructing, or
33 producing property for the taxpayer’s own use, the
34 requirements of clause (iv) of subparagraph (A)
35 shall be treated as met if the taxpayer begins man-
36 ufacturing, constructing, or producing the property
37 after September 10, 2001.



“(ii) SALE-LEASEBACKS.—For purposes of subparagraph (A)(iii), if property—

“(I) is originally placed in service after September 10, 2001, by a person, and

“(II) is sold and leased back by such person within 3 months after the date such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

“(E) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—The deduction allowed by this subsection shall be allowed in determining alternative minimum taxable income under section 55.

“(c) 5-YEAR RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.—

“(1) IN GENERAL.—For purposes of section 168, the term ‘5-year property’ includes any qualified New York Liberty Zone leasehold improvement property.

“(2) QUALIFIED NEW YORK LIBERTY ZONE LEASEHOLD IMPROVEMENT PROPERTY.—For purposes of this section, the term ‘qualified New York Liberty Zone leasehold improvement property’ means qualified leasehold improvement property (as defined in section 168(e)(6)) if—

“(A) such building is located in the New York Liberty Zone,

“(B) such improvement is placed in service after September 10, 2001, and before January 1, 2007, and

“(C) no written binding contract for such improvement was in effect before September 11, 2001.

“(3) REQUIREMENT TO USE STRAIGHT LINE METHOD.—The applicable depreciation method under section 168 shall be the straight line method in the case of qualified New York Liberty Zone leasehold improvement property.

“(4) 9-YEAR RECOVERY PERIOD UNDER ALTERNATIVE SYSTEM.—For purposes of section 168(g), the class life of



1 qualified New York Liberty Zone leasehold improvement
2 property shall be 9 years.

3 “(d) TAX-EXEMPT BOND FINANCING.—

4 “(1) IN GENERAL.—For purposes of this title, any
5 qualified New York Liberty Bond shall be treated as an ex-
6 empt facility bond.

7 “(2) QUALIFIED NEW YORK LIBERTY BOND.—For
8 purposes of this subsection, the term ‘qualified New York
9 Liberty Bond’ means any bond issued as part of an issue
10 if—

11 “(A) 95 percent or more of the net proceeds (as
12 defined in section 150(a)(3)) of such issue are to be
13 used for qualified project costs,

14 “(B) such bond is issued by the State of New
15 York or any political subdivision thereof,

16 “(C) the Governor or the Mayor designates such
17 bond for purposes of this section, and

18 “(D) such bond is issued after the the date of the
19 enactment of this section and before January 1, 2005.

20 “(3) LIMITATIONS ON AMOUNT OF BONDS.—

21 “(A) AGGREGATE AMOUNT DESIGNATED.—The
22 maximum aggregate face amount of bonds which may
23 be designated under this subsection shall not exceed
24 \$8,000,000,000, of which not to exceed \$4,000,000,000
25 may be designated by the Governor and not to exceed
26 \$4,000,000,000 may be designated by the Mayor.

27 “(B) SPECIFIC LIMITATIONS.—The aggregate face
28 amount of bonds issued which are to be used for—

29 “(i) costs for property located outside the New
30 York Liberty Zone shall not exceed
31 \$2,000,000,000,

32 “(ii) residential rental property shall not ex-
33 ceed \$1,600,000,000, and

34 “(iii) costs with respect to property used for
35 retail sales of tangible property and functionally re-
36 lated and subordinate property shall not exceed
37 \$800,000,000.



1 The limitations under clauses (i), (ii), and (iii) shall be
2 allocated proportionately between the bonds designated
3 by the Governor and the bonds designated by the
4 Mayor in proportion to the respective amounts of bonds
5 designated by each.

6 “(C) MOVABLE PROPERTY.—No bonds shall be
7 issued which are to be used for movable fixtures and
8 equipment.

9 “(4) QUALIFIED PROJECT COSTS.—For purposes of
10 this subsection—

11 “(A) IN GENERAL.—The term ‘qualified project
12 costs’ means the cost of acquisition, construction, re-
13 construction, and renovation of—

14 “(i) nonresidential real property and residen-
15 tial rental property (including fixed tenant improve-
16 ments associated with such property) located in the
17 New York Liberty Zone, and

18 “(ii) public utility property (as defined in sec-
19 tion 168(i)(10)) located in the New York Liberty
20 Zone.

21 “(B) COSTS FOR CERTAIN PROPERTY OUTSIDE
22 ZONE INCLUDED.—Such term includes the cost of ac-
23 quisition, construction, reconstruction, and renovation
24 of nonresidential real property (including fixed tenant
25 improvements associated with such property) located
26 outside the New York Liberty Zone but within the City
27 of New York, New York, if such property is part of a
28 project which consists of at least 100,000 square feet
29 of usable office or other commercial space located in a
30 single building or multiple adjacent buildings.

31 “(5) SPECIAL RULES.—In applying this title to any
32 qualified New York Liberty Bond, the following modifica-
33 tions shall apply:

34 “(A) Section 146 (relating to volume cap) shall
35 not apply.

36 “(B) Section 147(d) (relating to acquisition of ex-
37 isting property not permitted) shall be applied by sub-



stituting ‘50 percent’ for ‘15 percent’ each place it appears.

“(C) Section 148(f)(4)(C) (relating to exception from rebate for certain proceeds to be used to finance construction expenditures) shall apply to the available construction proceeds of bonds issued under this section.

“(D) Repayments of principal on financing provided by the issue—

“(i) may not be used to provide financing, and

“(ii) must be used not later than the close of the 1st semiannual period beginning after the date of the repayment to redeem bonds which are part of such issue.

The requirement of clause (ii) shall be treated as met with respect to amounts received within 10 years after the date of issuance of the issue (or, in the case of a refunding bond, the date of issuance of the original bond) if such amounts are used by the close of such 10 years to redeem bonds which are part of such issue.

“(E) Section 57(a)(5) shall not apply.

“(6) SEPARATE ISSUE TREATMENT OF PORTIONS OF AN ISSUE.—This subsection shall not apply to the portion of an issue which (if issued as a separate issue) would be treated as a qualified bond or as a bond that is not a private activity bond (determined without regard to paragraph (1)), if the issuer elects to so treat such portion.

“(e) ADVANCE REFUNDINGS OF CERTAIN TAX-EXEMPT BONDS.—

“(1) IN GENERAL.—With respect to a bond described in paragraph (2) issued as part of an issue 90 percent (95 percent in the case of a bond described in paragraph (2)(C)) or more of the net proceeds (as defined in section 150(a)(3)) of which were used to finance facilities located within the City of New York, New York (or property which is functionally related and subordinate to facilities located within the City of New York for the furnishing of water),



1 one additional advanced refunding after the date of the en-
2 actment of this section and before January 1, 2005, shall
3 be allowed under the applicable rules of section 149(d) if—

4 “(A) the Governor or the Mayor designates the ad-
5 vance refunding bond for purposes of this subsection,
6 and

7 “(B) the requirements of paragraph (4) are met.

8 “(2) BONDS DESCRIBED.—A bond is described in this
9 paragraph if such bond was outstanding on September 11,
10 2001, and is—

11 “(A) a State or local bond (as defined in section
12 103(c)(1)) which is a general obligation of the City of
13 New York, New York,

14 “(B) a State or local bond (as so defined) other
15 than a private activity bond (as defined in section
16 141(a)) issued by the New York Municipal Water Fi-
17 nance Authority or the Metropolitan Transportation
18 Authority of the State of New York, or

19 “(C) a qualified 501(c)(3) bond (as defined in sec-
20 tion 145(a)) which is a qualified hospital bond (as de-
21 fined in section 145(c)) issued by or on behalf of the
22 State of New York or the City of New York, New York.

23 “(3) AGGREGATE LIMIT.—For purposes of paragraph
24 (1), the maximum aggregate face amount of bonds which
25 may be designated under this subsection by the Governor
26 shall not exceed \$4,500,000,000 and the maximum aggre-
27 gate face amount of bonds which may be designated under
28 this subsection by the Mayor shall not exceed
29 \$4,500,000,000.

30 “(4) ADDITIONAL REQUIREMENTS.—The requirements
31 of this paragraph are met with respect to any advance re-
32 funding of a bond described in paragraph (2) if—

33 “(A) no advance refundings of such bond would be
34 allowed under any provision of law after September 11,
35 2001,



1 “(B) the advance refunding bond is the only other
2 outstanding bond with respect to the refunded bond,
3 and

4 “(C) the requirements of section 148 are met with
5 respect to all bonds issued under this subsection.

6 “(f) INCREASE IN EXPENSING UNDER SECTION 179.—

7 “(1) IN GENERAL.—For purposes of section 179—

8 “(A) the limitation under section 179(b)(1) shall
9 be increased by the lesser of—

10 “(i) \$35,000, or

11 “(ii) the cost of section 179 property which is
12 qualified New York Liberty Zone property placed
13 in service during the taxable year, and

14 “(B) the amount taken into account under section
15 179(b)(2) with respect to any section 179 property
16 which is qualified New York Liberty Zone property
17 shall be 50 percent of the cost thereof.

18 “(2) QUALIFIED NEW YORK LIBERTY ZONE PROP-
19 ERTY.—For purposes of this subsection, the term ‘qualified
20 New York Liberty Zone property’ has the meaning given
21 such term by subsection (b)(2).

22 “(3) RECAPTURE.—Rules similar to the rules under
23 section 179(d)(10) shall apply with respect to any qualified
24 New York Liberty Zone property which ceases to be used
25 in the New York Liberty Zone.

26 “(g) EXTENSION OF REPLACEMENT PERIOD FOR NON-
27 RECOGNITION OF GAIN.—Notwithstanding subsections (g) and
28 (h) of section 1033, clause (i) of section 1033(a)(2)(B) shall
29 be applied by substituting ‘5 years’ for ‘2 years’ with respect
30 to property which is compulsorily or involuntarily converted as
31 a result of the terrorist attacks on September 11, 2001, in the
32 New York Liberty Zone but only if substantially all of the use
33 of the replacement property is in the City of New York, New
34 York.

35 “(h) NEW YORK LIBERTY ZONE.—For purposes of this
36 section, the term ‘New York Liberty Zone’ means the area lo-
37 cated on or south of Canal Street, East Broadway (east of its



1 intersection with Canal Street), or Grand Street (east of its
2 intersection with East Broadway) in the Borough of Manhattan
3 in the City of New York, New York.

4 “(i) REFERENCES TO GOVERNOR AND MAYOR.—For pur-
5 poses of this section, the terms ‘Governor’ and ‘Mayor’ mean
6 the Governor of the State of New York and the Mayor of the
7 City of New York, New York, respectively.”

8 (b) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM
9 TAX.—

10 (1) IN GENERAL.—Subsection (c) of section 38 (relat-
11 ing to limitation based on amount of tax) is amended by
12 redesignating paragraph (3) as paragraph (4) and by in-
13 serting after paragraph (2) the following new paragraph:

14 “(3) SPECIAL RULES FOR NEW YORK LIBERTY ZONE
15 BUSINESS EMPLOYEE CREDIT.—

16 “(A) IN GENERAL.—In the case of the New York
17 Liberty Zone business employee credit—

18 “(i) this section and section 39 shall be ap-
19 plied separately with respect to such credit, and

20 “(ii) in applying paragraph (1) to such
21 credit—

22 “(I) the tentative minimum tax shall be
23 treated as being zero, and

24 “(II) the limitation under paragraph (1)
25 (as modified by subclause (I)) shall be reduced
26 by the credit allowed under subsection (a) for
27 the taxable year (other than the New York Lib-
28 erty Zone business employee credit).

29 “(B) NEW YORK LIBERTY ZONE BUSINESS EM-
30 PLOYEE CREDIT.—For purposes of this subsection, the
31 term ‘New York Liberty Zone business employee credit’
32 means the portion of work opportunity credit under
33 section 51 determined under section 1400L(a).”

34 (2) CONFORMING AMENDMENT.—Subclause (II) of
35 section 38(c)(2)(A)(ii) is amended by inserting “or the New
36 York Liberty Zone business employee credit” after “em-
37 ployment credit”.



1 (3) EFFECTIVE DATE.—The amendments made by
2 this subsection shall apply to taxable years ending after
3 December 31, 2001.

4 (c) CLERICAL AMENDMENT.—The table of subchapters for
5 chapter 1 is amended by adding at the end the following new
6 item:

“Subchapter Y—New York Liberty Zone Benefits.”

7 **TITLE V—MISCELLANEOUS AND**
8 **TECHNICAL PROVISIONS**
9 **Subtitle A—General Miscellaneous**
10 **Provisions**

11 **SEC. 501. ALLOWANCE OF ELECTRONIC 1099'S.**

12 Any person required to furnish a statement under any sec-
13 tion of subpart B of part III of subchapter A of chapter 61
14 of the Internal Revenue Code of 1986 for any taxable year end-
15 ing after the date of the enactment of this Act, may electroni-
16 cally furnish such statement (without regard to any first class
17 mailing requirement) to any recipient who has consented to the
18 electronic provision of the statement in a manner similar to the
19 one permitted under regulations issued under section 6051 of
20 such Code or in such other manner as provided by the Sec-
21 retary.

22 **SEC. 502. EXCLUDED CANCELLATION OF INDEBTEDNESS**
23 **INCOME OF S CORPORATION NOT TO RE-**
24 **SULT IN ADJUSTMENT TO BASIS OF STOCK**
25 **OF SHAREHOLDERS.**

26 (a) IN GENERAL.—Subparagraph (A) of section 108(d)(7)
27 (relating to certain provisions to be applied at corporate level)
28 is amended by inserting before the period “, including by not
29 taking into account under section 1366(a) any amount excluded
30 under subsection (a) of this section”.

31 (b) EFFECTIVE DATE.—

32 (1) IN GENERAL.—Except as provided in paragraph
33 (2), the amendment made by this section shall apply to dis-
34 charges of indebtedness after October 11, 2001, in taxable
35 years ending after such date.



1 (2) EXCEPTION.—The amendment made by this sec-
2 tion shall not apply to any discharge of indebtedness before
3 March 1, 2002, pursuant to a plan of reorganization filed
4 with a bankruptcy court on or before October 11, 2001.

5 **SEC. 503. LIMITATION ON USE OF NONACCRUAL EXPERI-**
6 **ENCE METHOD OF ACCOUNTING.**

7 (a) IN GENERAL.—Paragraph (5) of section 448(d) is
8 amended to read as follows:

9 “(5) SPECIAL RULE FOR CERTAIN SERVICES.—

10 “(A) IN GENERAL.—In the case of any person
11 using an accrual method of accounting with respect to
12 amounts to be received for the performance of services
13 by such person, such person shall not be required to ac-
14 crue any portion of such amounts which (on the basis
15 of such person’s experience) will not be collected if—

16 “(i) such services are in fields referred to in
17 paragraph (2)(A), or

18 “(ii) such person meets the gross receipts test
19 of subsection (c) for all prior taxable years.

20 “(B) EXCEPTION.—This paragraph shall not
21 apply to any amount if interest is required to be paid
22 on such amount or there is any penalty for failure to
23 timely pay such amount.

24 “(C) REGULATIONS.—The Secretary shall pre-
25 scribe regulations to permit taxpayers to determine
26 amounts referred to in subparagraph (A) using com-
27 putations or formulas which, based on experience, accu-
28 rately reflect the amount of income that will not be col-
29 lected by such person. A taxpayer may adopt, or re-
30 quest consent of the Secretary to change to, a com-
31 putation or formula that clearly reflects the taxpayer’s
32 experience. A request under the preceding sentence
33 shall be approved if such computation or formula clear-
34 ly reflects the taxpayer’s experience.”.

35 (b) EFFECTIVE DATE.—



1 (1) IN GENERAL.—The amendments made by this sec-
2 tion shall apply to taxable years ending after the date of
3 the enactment of this Act.

4 (2) CHANGE IN METHOD OF ACCOUNTING.—In the
5 case of any taxpayer required by the amendments made by
6 this section to change its method of accounting for its first
7 taxable year ending after the date of the enactment of this
8 Act—

9 (A) such change shall be treated as initiated by
10 the taxpayer,

11 (B) such change shall be treated as made with the
12 consent of the Secretary of the Treasury, and

13 (C) the net amount of the adjustments required to
14 be taken into account by the taxpayer under section
15 481 of the Internal Revenue Code of 1986 shall be
16 taken into account over a period of 4 years (or if less,
17 the number of taxable years that the taxpayer used the
18 method permitted under section 448(d)(5) of such Code
19 as in effect before the date of the enactment of this
20 Act) beginning with such first taxable year.

21 **SEC. 504. EXCLUSION FOR FOSTER CARE PAYMENTS TO**
22 **APPLY TO PAYMENTS BY QUALIFIED PLACE-**
23 **MENT AGENCIES.**

24 (a) IN GENERAL.—The matter preceding subparagraph
25 (B) of section 131(b)(1) (defining qualified foster care pay-
26 ment) is amended to read as follows:

27 “(1) IN GENERAL.—The term ‘qualified foster care
28 payment’ means any payment made pursuant to a foster
29 care program of a State or political subdivision thereof—

30 “(A) which is paid by—

31 “(i) a State or political subdivision thereof, or

32 “(ii) a qualified foster care placement agency,
33 and”.

34 (b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE INDIVIDUALS
35 PLACED BY QUALIFIED PLACEMENT AGENCIES.—
36 Subparagraph (B) of section 131(b)(2) (defining qualified foster
37 individual) is amended to read as follows:



1 “(B) a qualified foster care placement agency.”

2 (c) QUALIFIED FOSTER CARE PLACEMENT AGENCY DE-
3 FINED.—Subsection (b) of section 131 is amended by redesign-
4 ating paragraph (3) as paragraph (4) and by inserting after
5 paragraph (2) the following new paragraph:

6 “(3) QUALIFIED FOSTER CARE PLACEMENT AGEN-
7 CY.—The term ‘qualified foster care placement agency’
8 means any placement agency which is licensed or certified
9 by—

10 “(A) a State or political subdivision thereof, or

11 “(B) an entity designated by a State or political
12 subdivision thereof,

13 for the foster care program of such State or political sub-
14 division to make foster care payments to providers of foster
15 care.”

16 (d) EFFECTIVE DATE.—The amendments made by this
17 section shall apply to taxable years beginning after December
18 31, 2001.

19 **SEC. 505. INTEREST RATE RANGE FOR ADDITIONAL**
20 **FUNDING REQUIREMENTS.**

21 (a) AMENDMENTS TO THE INTERNAL REVENUE CODE OF
22 1986.—

23 (1) SPECIAL RULE.—Clause (i) of section 412(l)(7)(C)
24 (relating to interest rate) is amended by adding at the end
25 the following new subclause:

26 “(III) SPECIAL RULE FOR 2002 AND
27 2003.—For a plan year beginning in 2002 or
28 2003, notwithstanding subclause (I), in the
29 case that the rate of interest used under sub-
30 section (b)(5) exceeds the highest rate per-
31 mitted under subclause (I), the rate of interest
32 used to determine current liability under this
33 subsection may exceed the rate of interest oth-
34 erwise permitted under subclause (I); except
35 that such rate of interest shall not exceed 120
36 percent of the weighted average referred to in
37 subsection (b)(5)(B)(ii).”



1 (2) QUARTERLY CONTRIBUTIONS.—Subsection (m) of
2 section 412 is amended by adding at the end the following
3 new paragraph:

4 “(7) SPECIAL RULES FOR 2002 AND 2004.—In any
5 case in which the interest rate used to determine current
6 liability is determined under subsection (l)(7)(C)(i)(III)—

7 “(A) 2002.—For purposes of applying paragraphs
8 (1) and (4)(B)(ii) for plan years beginning in 2002, the
9 current liability for the preceding plan year shall be re-
10 determined using 120 percent as the specified percent-
11 age determined under subsection (l)(7)(C)(i)(II).

12 “(B) 2004.—For purposes of applying paragraphs
13 (1) and (4)(B)(ii) for plan years beginning in 2004, the
14 current liability for the preceding plan year shall be re-
15 determined using 105 percent as the specified percent-
16 age determined under subsection (l)(7)(C)(i)(II).”

17 (b) AMENDMENTS TO THE EMPLOYEE RETIREMENT IN-
18 COME SECURITY ACT OF 1974.—

19 (1) SPECIAL RULE.—Clause (i) of section
20 302(d)(7)(C) of such Act (29 U.S.C. 1082(d)(7)(C)) is
21 amended by adding at the end the following new subclause:

22 “(III) SPECIAL RULE FOR 2002 AND
23 2003.—For a plan year beginning in 2002 or
24 2003, notwithstanding subclause (I), in the
25 case that the rate of interest used under sub-
26 section (b)(5) exceeds the highest rate per-
27 mitted under subclause (I), the rate of interest
28 used to determine current liability under this
29 subsection may exceed the rate of interest oth-
30 erwise permitted under subclause (I); except
31 that such rate of interest shall not exceed 120
32 percent of the weighted average referred to in
33 subsection (b)(5)(B)(ii).”

34 (2) QUARTERLY CONTRIBUTIONS.—Subsection (e) of
35 section 302 of such Act (29 U.S.C. 1082) is amended by
36 adding at the end the following new paragraph:



1 “(7) SPECIAL RULES FOR 2002 AND 2004.—In any
2 case in which the interest rate used to determine current
3 liability is determined under subsection (d)(7)(C)(i)(III)—

4 “(A) 2002.—For purposes of applying paragraphs
5 (1) and (4)(B)(ii) for plan years beginning in 2002, the
6 current liability for the preceding plan year shall be re-
7 determined using 120 percent as the specified percent-
8 age determined under subsection (d)(7)(C)(i)(II).

9 “(B) 2004.—For purposes of applying paragraphs
10 (1) and (4)(B)(ii) for plan years beginning in 2004, the
11 current liability for the preceding plan year shall be re-
12 determined using 105 percent as the specified percent-
13 age determined under subsection (d)(7)(C)(i)(II).”

14 (c) PBGC.—Clause (iii) of section 4006(a)(3)(E) of the
15 Employee Retirement Income Security Act of 1974 (29 U.S.C.
16 1306(a)(3)(E)) is amended by adding at the end the following
17 new subclause:

18 “(IV) In the case of plan years beginning after December
19 31, 2001, and before January 1, 2004, subclause (II) shall be
20 applied by substituting ‘100 percent’ for ‘85 percent’. Sub-
21 clause (III) shall be applied for such years without regard to
22 the preceding sentence. Any reference to this clause by any
23 other sections or subsections shall be treated as a reference to
24 this clause without regard to this subclause.”

25 **SEC. 506. ADJUSTED GROSS INCOME DETERMINED BY**
26 **TAKING INTO ACCOUNT CERTAIN EXPENSES**
27 **OF ELEMENTARY AND SECONDARY SCHOOL**
28 **TEACHERS.**

29 (a) IN GENERAL.—Section 62(a)(2) (relating to certain
30 trade and business deductions of employees) is amended by
31 adding at the end the following:

32 “(D) CERTAIN EXPENSES OF ELEMENTARY AND
33 SECONDARY SCHOOL TEACHERS.—In the case of tax-
34 able years beginning during 2002 or 2003, the deduc-
35 tions allowed by section 162 which consist of expenses,
36 not in excess of \$250, paid or incurred by an eligible
37 educator in connection with books, supplies (other than



1 nonathletic supplies for courses of instruction in health
2 or physical education), computer equipment (including
3 related software and services) and other equipment,
4 and supplementary materials used by the eligible edu-
5 cator in the classroom.”.

6 (b) ELIGIBLE EDUCATOR.—Section 62 is amended by add-
7 ing at the end the following:

8 “(d) DEFINITION; SPECIAL RULES.—

9 “(1) ELIGIBLE EDUCATOR.—

10 “(A) IN GENERAL.—For purposes of subsection
11 (a)(2)(D), the term ‘eligible educator’ means, with re-
12 spect to any taxable year, an individual who is a kin-
13 dergarten through grade 12 teacher, instructor, coun-
14 selor, principal, or aide in a school for at least 900
15 hours during a school year.

16 “(B) SCHOOL.—The term ‘school’ means any
17 school which provides elementary education or sec-
18 ondary education (kindergarten through grade 12), as
19 determined under State law.

20 “(2) COORDINATION WITH EXCLUSIONS.—A deduction
21 shall be allowed under subsection (a)(2)(D) for expenses
22 only to the extent the amount of such expenses exceeds the
23 amount excludable under section 135, 529(c)(1), or
24 530(d)(2) for the taxable year.”.

25 (c) EFFECTIVE DATE.—The amendments made by this
26 section shall apply to taxable years beginning after December
27 31, 2001.

28 **Subtitle B—Technical Corrections**

29 **SEC. 511. AMENDMENTS RELATED TO ECONOMIC** 30 **GROWTH AND TAX RELIEF RECONCILIATION** 31 **ACT OF 2001.**

32 (a) AMENDMENTS RELATED TO SECTION 101 OF THE
33 ACT.—

34 (1) IN GENERAL.—Subsection (b) of section 6428 is
35 amended to read as follows:

36 “(b) CREDIT TREATED AS NONREFUNDABLE PERSONAL
37 CREDIT.—For purposes of this title, the credit allowed under



1 this section shall be treated as a credit allowable under subpart
2 A of part IV of subchapter A of chapter 1.”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Subsection (d) of section 6428 is amended to
5 read as follows:

6 “(d) COORDINATION WITH ADVANCE REFUNDS OF CRED-
7 IT.—

8 “(1) IN GENERAL.—The amount of credit which would
9 (but for this paragraph) be allowable under this section
10 shall be reduced (but not below zero) by the aggregate re-
11 funds and credits made or allowed to the taxpayer under
12 subsection (e). Any failure to so reduce the credit shall be
13 treated as arising out of a mathematical or clerical error
14 and assessed according to section 6213(b)(1).

15 “(2) JOINT RETURNS.—In the case of a refund or
16 credit made or allowed under subsection (e) with respect to
17 a joint return, half of such refund or credit shall be treated
18 as having been made or allowed to each individual filing
19 such return.”.

20 (B) Paragraph (2) of section 6428(e) is amended
21 to read as follows:

22 “(2) ADVANCE REFUND AMOUNT.—For purposes of
23 paragraph (1), the advance refund amount is the amount
24 that would have been allowed as a credit under this section
25 for such first taxable year if—

26 “(A) this section (other than subsections (b) and
27 (d) and this subsection) had applied to such taxable
28 year, and

29 “(B) the credit for such taxable year were not al-
30 lowed to exceed the excess (if any) of—

31 “(i) the sum of the regular tax liability (as de-
32 fined in section 26(b)) plus the tax imposed by sec-
33 tion 55, over

34 “(ii) the sum of the credits allowable under
35 part IV of subchapter A of chapter 1 (other than
36 the credits allowable under subpart C thereof, re-
37 lating to refundable credits).”



1 (b) AMENDMENT RELATED TO SECTION 201 OF THE
2 ACT.—Subparagraph (B) of section 24(d)(1) is amended by
3 striking “amount of credit allowed by this section” and insert-
4 ing “aggregate amount of credits allowed by this subpart”.

5 (c) AMENDMENTS RELATED TO SECTION 202 OF THE
6 ACT.—

7 (1) CORRECTIONS TO CREDIT FOR ADOPTION EX-
8 PENSES.—

9 (A) Paragraph (1) of section 23(a) is amended to
10 read as follows:

11 “(1) IN GENERAL.—In the case of an individual, there
12 shall be allowed as a credit against the tax imposed by this
13 chapter the amount of the qualified adoption expenses paid
14 or incurred by the taxpayer.”

15 (B) Subsection (a) of section 23 is amended by
16 adding at the end the following new paragraph:

17 “(3) \$10,000 CREDIT FOR ADOPTION OF CHILD WITH
18 SPECIAL NEEDS REGARDLESS OF EXPENSES.—In the case
19 of an adoption of a child with special needs which becomes
20 final during a taxable year, the taxpayer shall be treated
21 as having paid during such year qualified adoption ex-
22 penses with respect to such adoption in an amount equal
23 to the excess (if any) of \$10,000 over the aggregate quali-
24 fied adoption expenses actually paid or incurred by the tax-
25 payer with respect to such adoption during such taxable
26 year and all prior taxable years.”

27 (C) Paragraph (2) of section 23(a) is amended by
28 striking the last sentence.

29 (D) Paragraph (1) of section 23(b) is amended by
30 striking “subsection (a)(1)(A)” and inserting “sub-
31 section (a)”.

32 (E) Subsection (i) of section 23 is amended by
33 striking “the dollar limitation in subsection (b)(1)” and
34 inserting “the dollar amounts in subsections (a)(3) and
35 (b)(1)”.

36 (F) Expenses paid or incurred during any taxable
37 year beginning before January 1, 2002, may be taken



1 into account in determining the credit under section 23
2 of the Internal Revenue Code of 1986 only to the ex-
3 tent the aggregate of such expenses does not exceed the
4 applicable limitation under section 23(b)(1) of such
5 Code as in effect on the day before the date of the en-
6 actment of the Economic Growth and Tax Relief Rec-
7 onciliation Act of 2001.

8 (2) CORRECTIONS TO EXCLUSION FOR EMPLOYER-PRO-
9 VIDED ADOPTION ASSISTANCE.—

10 (A) Subsection (a) of section 137 is amended to
11 read as follows:

12 “(a) EXCLUSION.—

13 “(1) IN GENERAL.—Gross income of an employee does
14 not include amounts paid or expenses incurred by the em-
15 ployer for qualified adoption expenses in connection with
16 the adoption of a child by an employee if such amounts are
17 furnished pursuant to an adoption assistance program.

18 “(2) \$10,000 EXCLUSION FOR ADOPTION OF CHILD
19 WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.—In the
20 case of an adoption of a child with special needs which be-
21 comes final during a taxable year, the qualified adoption
22 expenses with respect to such adoption for such year shall
23 be increased by an amount equal to the excess (if any) of
24 \$10,000 over the actual aggregate qualified adoption ex-
25 penses with respect to such adoption during such taxable
26 year and all prior taxable years.”

27 (B) Paragraph (2) of section 137(b) is amended
28 by striking “subsection (a)(1)” and inserting “sub-
29 section (a)”.

30 (3) EFFECTIVE DATE.—The amendments made by
31 this subsection shall apply to taxable years beginning after
32 December 31, 2002; except that the amendments made by
33 paragraphs (1)(C), (1)(D), and (2)(B) shall apply to tax-
34 able years beginning after December 31, 2001.

35 (d) AMENDMENTS RELATED TO SECTION 205 OF THE
36 ACT.—



(1) Section 45F(d)(4)(B) is amended by striking “subpart A, B, or D of this part” and inserting “this chapter or for purposes of section 55”.

(2) Section 38(b)(15) is amended by striking “45F” and inserting “45F(a)”.

(e) AMENDMENTS RELATED TO SECTION 301 OF THE ACT.—

(1) Section 63(c)(2) is amended—

(A) in subparagraph (A), by striking “subparagraph (C)” and inserting “subparagraph (D)”,

(B) by striking “or” at the end of subparagraph (B),

(C) by redesignating subparagraph (C) as subparagraph (D),

(D) by inserting after subparagraph (B) the following new subparagraph:

“(C) one-half of the amount allowable under subparagraph (A) in the case of a married individual filing a separate return, or”, and

(E) by inserting the following flush sentence at the end:

“If any amount determined under subparagraph (A) is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.”

(2)(A) Section 63(c)(4) is amended by striking “paragraph (2) or (5)” and inserting “paragraph (2)(B), (2)(D), or (5)”.

(B) Section 63(c)(4)(B)(i) is amended by striking “paragraph (2)” and inserting “paragraph (2)(B), (2)(D),”.

(C) Section 63(c)(4) is amended by striking the flush sentence at the end (as added by section 301(c)(2) of Public Law 107–17).

(f) AMENDMENT RELATED TO SECTION 401 OF THE ACT.—Section 530(d)(4)(B)(iv) is amended by striking “because the taxpayer elected under paragraph (2)(C) to waive the



1 application of paragraph (2)” and inserting “by application of
2 paragraph (2)(C)(i)(II)”.

3 (g) AMENDMENTS RELATED TO SECTION 511 OF THE
4 ACT.—

5 (1) Section 2511(c) is amended by striking “taxable
6 gift under section 2503,” and inserting “transfer of prop-
7 erty by gift,”.

8 (2) Section 2101(b) is amended by striking the last
9 sentence.

10 (h) AMENDMENT RELATED TO SECTION 532 OF THE
11 ACT.—Section 2016 is amended by striking “any State, any
12 possession of the United States, or the District of Columbia,”.

13 (i) AMENDMENTS RELATING TO SECTION 602 OF THE
14 ACT.—

15 (1) Subparagraph (A) of section 408(q)(3) is amended
16 to read as follows:

17 “(A) QUALIFIED EMPLOYER PLAN.—The term
18 ‘qualified employer plan’ has the meaning given such
19 term by section 72(p)(4)(A)(i); except that such term
20 shall also include an eligible deferred compensation
21 plan (as defined in section 457(b)) of an eligible em-
22 ployer described in section 457(e)(1)(A).”.

23 (2) Section 4(c) of Employee Retirement Income Secu-
24 rity Act of 1974 is amended—

25 (A) by inserting “and part 5 (relating to adminis-
26 tration and enforcement)” before the period at the end,
27 and

28 (B) by adding at the end the following new sen-
29 tence: “Such provisions shall apply to such accounts
30 and annuities in a manner similar to their application
31 to a simplified employee pension under section 408(k)
32 of the Internal Revenue Code of 1986.”.

33 (j) AMENDMENTS RELATING TO SECTION 611 OF THE
34 ACT.—

35 (1) Section 408(k) is amended—

36 (A) in paragraph (2)(C) by striking “\$300” and
37 inserting “\$450”, and



(B) in paragraph (8) by striking “\$300” both places it appears and inserting “\$450”.

(2) Section 409(o)(1)(C)(ii) is amended—

(A) by striking “\$500,000” both places it appears and inserting “\$800,000”, and

(B) by striking “\$100,000” and inserting “\$160,000”.

(3) Section 611(i) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by adding at the end the following new paragraph:

“(3) SPECIAL RULE.—In the case of plan that, on June 7, 2001, incorporated by reference the limitation of section 415(b)(1)(A) of the Internal Revenue Code of 1986, section 411(d)(6) of such Code and section 204(g)(1) of the Employee Retirement Income Security Act of 1974 do not apply to a plan amendment that—

“(A) is adopted on or before June 30, 2002,

“(B) reduces benefits to the level that would have applied without regard to the amendments made by subsection (a) of this section, and

“(C) is effective no earlier than the years described in paragraph (2).”.

(k) AMENDMENTS RELATING TO SECTION 613 OF THE ACT.—

(1) Section 416(c)(1)(C)(iii) is amended by striking “EXCEPTION FOR FROZEN PLAN” and inserting “EXCEPTION FOR PLAN UNDER WHICH NO KEY EMPLOYEE (OR FORMER KEY EMPLOYEE) BENEFITS FOR PLAN YEAR”.

(2) Section 416(g)(3)(B) is amended by striking “separation from service” and inserting “severance from employment”.

(l) AMENDMENTS RELATING TO SECTIONS 614 and 616 OF THE ACT.—

(1) Section 404(a)(12) is amended by striking “(9),” and inserting “(9) and subsection (h)(1)(C),”.



(2) Section 404(n) is amended by striking “subsection (a),” and inserting “subsection (a) or paragraph (1)(C) of subsection (h)”.

(3) Section 402(h)(2)(A) is amended by striking “15 percent” and inserting “25 percent”.

(4) Section 404(a)(7)(C) is amended to read as follows:

“(C) PARAGRAPH NOT TO APPLY IN CERTAIN CASES.—

“(i) BENEFICIARY TEST.—This paragraph shall not have the effect of reducing the amount otherwise deductible under paragraphs (1), (2), and (3), if no employee is a beneficiary under more than 1 trust or under a trust and an annuity plan.

“(ii) ELECTIVE DEFERRALS.—If, in connection with 1 or more defined contribution plans and 1 or more defined benefit plans, no amounts (other than elective deferrals (as defined in section 402(g)(3))) are contributed to any of the defined contribution plans for the taxable year, then subparagraph (A) shall not apply with respect to any of such defined contribution plans and defined benefit plans.”.

(m) AMENDMENT RELATING TO SECTION 618 OF THE ACT.—Section 25B(d)(2)(A) is amended to read as follows:

“(A) IN GENERAL.—The qualified retirement savings contributions determined under paragraph (1) shall be reduced (but not below zero) by the aggregate distributions received by the individual during the testing period from any entity of a type to which contributions under paragraph (1) may be made. The preceding sentence shall not apply to the portion of any distribution which is not includible in gross income by reason of a trustee-to-trustee transfer or a rollover distribution.”.

(n) AMENDMENTS RELATING TO SECTION 619 OF THE ACT.—



1 (1) Section 45E(e)(1) is amended by striking “(n)”
2 and inserting “(m)”.

3 (2) Section 619(d) of the Economic Growth and Tax
4 Relief Reconciliation Act of 2001 is amended by striking
5 “established” and inserting “first effective”.

6 (o) AMENDMENTS RELATING TO SECTION 631 OF THE
7 ACT.—

8 (1) Section 402(g)(1) is amended by adding at the end
9 the following:

10 “(C) CATCH-UP CONTRIBUTIONS.—In addition to
11 subparagraph (A), in the case of an eligible participant
12 (as defined in section 414(v)), gross income shall not
13 include elective deferrals in excess of the applicable dol-
14 lar amount under subparagraph (B) to the extent that
15 the amount of such elective deferrals does not exceed
16 the applicable dollar amount under section
17 414(v)(2)(B)(i) for the taxable year (without regard to
18 the treatment of the elective deferrals by an applicable
19 employer plan under section 414(v)).”.

20 (2) Section 401(a)(30) is amended by striking
21 “402(g)(1)” and inserting “402(g)(1)(A)”.

22 (3) Section 414(v)(2) is amended by adding at the end
23 the following:

24 “(D) AGGREGATION OF PLANS.—For purposes of
25 this paragraph, plans described in clauses (i), (ii), and
26 (iv) of paragraph (6)(A) that are maintained by the
27 same employer (as determined under subsection (b),
28 (c), (m) or (o)) shall be treated as a single plan, and
29 plans described in clause (iii) of paragraph (6)(A) that
30 are maintained by the same employer shall be treated
31 as a single plan.”.

32 (4) Section 414(v)(3)(A)(i) is amended by striking
33 “section 402(g), 402(h), 403(b), 404(a), 404(h), 408(k),
34 408(p), 415, or 457” and inserting “section 401(a)(30),
35 402(h), 403(b), 408, 415(c), and 457(b)(2) (determined
36 without regard to section 457(b)(3))”.



(5) Section 414(v)(3)(B) is amended by striking “section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416” and inserting “section 401(a)(4), 401(k)(3), 401(k)(11), 403(b)(12), 408(k), 410(b), or 416”.

(6) Section 414(v)(4)(B) is amended by inserting before the period at the end the following: “, except that a plan described in clause (i) of section 410(b)(6)(C) shall not be treated as a plan of the employer until the expiration of the transition period with respect to such plan (as determined under clause (ii) of such section)”.

(7) Section 414(v)(5) is amended—

(A) by striking “, with respect to any plan year,” in the matter preceding subparagraph (A),

(B) by amending subparagraph (A) to read as follows:

“(A) who would attain age 50 by the end of the taxable year,” and

(C) in subparagraph (B) by striking “plan year” and inserting “plan (or other applicable) year”.

(8) Section 414(v)(6)(C) is amended to read as follows:

“(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to a participant for any year for which a higher limitation applies to the participant under section 457(b)(3).”.

(9) Section 457(e) is amended by adding at the end the following new paragraph:

“(18) COORDINATION WITH CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OLDER.— In the case of an individual who is an eligible participant (as defined by section 414(v)) and who is a participant in an eligible deferred compensation plan of an employer described in paragraph (1)(A), subsections (b)(3) and (c) shall be applied by substituting for the amount otherwise determined under the applicable subsection the greater of—

“(A) the sum of—



1 “(i) the plan ceiling established for purposes
2 of subsection (b)(2) (without regard to subsection
3 (b)(3)), plus

4 “(ii) the applicable dollar amount for the tax-
5 able year determined under section 414(v)(2)(B)(i),
6 or

7 “(B) the amount determined under the applicable
8 subsection (without regard to this paragraph).”.

9 (p) AMENDMENTS RELATING TO SECTION 632 OF THE
10 ACT.—

11 (1) Section 403(b)(1) is amended in the matter fol-
12 lowing subparagraph (E) by striking “then amounts con-
13 tributed” and all that follows and inserting the following:

14 “then contributions and other additions by such em-
15 ployer for such annuity contract shall be excluded from the
16 gross income of the employee for the taxable year to the
17 extent that the aggregate of such contributions and addi-
18 tions (when expressed as an annual addition (within the
19 meaning of section 415(c)(2))) does not exceed the applica-
20 ble limit under section 415. The amount actually distrib-
21 uted to any distributee under such contract shall be taxable
22 to the distributee (in the year in which so distributed)
23 under section 72 (relating to annuities). For purposes of
24 applying the rules of this subsection to contributions and
25 other additions by an employer for a taxable year, amounts
26 transferred to a contract described in this paragraph by
27 reason of a rollover contribution described in paragraph (8)
28 of this subsection or section 408(d)(3)(A)(ii) shall not be
29 considered contributed by such employer.”.

30 (2) Section 403(b) is amended by striking paragraph
31 (6).

32 (3) Section 403(b)(3) is amended—

33 (A) in the first sentence by inserting the following
34 before the period at the end: “, and which precedes the
35 taxable year by no more than five years”, and

36 (B) in the second sentence by striking “or any
37 amount received by a former employee after the fifth



1 taxable year following the taxable year in which such
2 employee was terminated”.

3 (4) Section 415(c)(7) is amended to read as follows:

4 “(7) SPECIAL RULES RELATING TO CHURCH PLANS.—

5 “(A) ALTERNATIVE CONTRIBUTION LIMITATION.—

6 “(i) IN GENERAL.—Notwithstanding any other
7 provision of this subsection, at the election of a
8 participant who is an employee of a church or a
9 convention or association of churches, including an
10 organization described in section 414(e)(3)(B)(ii),
11 contributions and other additions for an annuity
12 contract or retirement income account described in
13 section 403(b) with respect to such participant,
14 when expressed as an annual addition to such par-
15 ticipant’s account, shall be treated as not exceeding
16 the limitation of paragraph (1) if such annual addi-
17 tion is not in excess of \$10,000.

18 “(ii) \$40,000 AGGREGATE LIMITATION.—The
19 total amount of additions with respect to any par-
20 ticipant which may be taken into account for pur-
21 poses of this subparagraph for all years may not
22 exceed \$40,000.

23 “(B) NUMBER OF YEARS OF SERVICE FOR DULY
24 ORDAINED, COMMISSIONED, OR LICENSED MINISTERS
25 OR LAY EMPLOYEES.—For purposes of this
26 paragraph—

27 “(i) all years of service by—

28 “(I) a duly ordained, commissioned, or li-
29 censed minister of a church, or

30 “(II) a lay person,
31 as an employee of a church, a convention or asso-
32 ciation of churches, including an organization de-
33 scribed in section 414(e)(3)(B)(ii), shall be consid-
34 ered as years of service for 1 employer, and

35 “(ii) all amounts contributed for annuity con-
36 tracts by each such church (or convention or asso-
37 ciation of churches) or such organization during



1 such years for such minister or lay person shall be
2 considered to have been contributed by 1 employer.

3 “(C) FOREIGN MISSIONARIES.—In the case of any
4 individual described in subparagraph (D) performing
5 services outside the United States, contributions and
6 other additions for an annuity contract or retirement
7 income account described in section 403(b) with respect
8 to such employee, when expressed as an annual addi-
9 tion to such employee’s account, shall not be treated as
10 exceeding the limitation of paragraph (1) if such an-
11 nual addition is not in excess of the greater of \$3,000
12 or the employee’s includible compensation determined
13 under section 403(b)(3).

14 “(D) ANNUAL ADDITION.—For purposes of this
15 paragraph, the term ‘annual addition’ has the meaning
16 given such term by paragraph (2).

17 “(E) CHURCH, CONVENTION OR ASSOCIATION OF
18 CHURCHES.—For purposes of this paragraph, the
19 terms ‘church’ and ‘convention or association of
20 churches’ have the same meaning as when used in sec-
21 tion 414(e).”.

22 (5) Section 457(e)(5) is amended to read as follows:

23 “(5) INCLUDIBLE COMPENSATION.—The term ‘includ-
24 ible compensation’ has the meaning given to the term ‘par-
25 ticipant’s compensation’ by section 415(c)(3).”.

26 (6) Section 402(g)(7)(B) is amended by striking
27 “2001.” and inserting “2001).”.

28 (q) AMENDMENTS RELATING TO SECTION 643 OF THE
29 ACT.—

30 (1) Section 401(a)(31)(C)(i) is amended by inserting
31 “is a qualified trust which is part of a plan which is a de-
32 fined contribution plan and” before “agrees”.

33 (2) Section 402(c)(2) is amended by adding at the end
34 the following flush sentence:

35 “In the case of a transfer described in subparagraph (A)
36 or (B), the amount transferred shall be treated as con-
37 sisting first of the portion of such distribution that is in-



1 cludible in gross income (determined without regard to
2 paragraph (1)).”.

3 (r) AMENDMENTS RELATING TO SECTION 648 OF THE
4 ACT.—

5 (1) Section 417(e) is amended—

6 (A) in paragraph (1) by striking “exceed the dollar
7 limit under section 411(a)(11)(A)” and inserting “ex-
8 ceed the amount that can be distributed without the
9 participant’s consent under section 411(a)(11)”, and

10 (B) in paragraph (2)(A) by striking “exceeds the
11 dollar limit under section 411(a)(11)(A)” and inserting
12 “exceeds the amount that can be distributed without
13 the participant’s consent under section 411(a)(11)”.

14 (2) Section 205(g) of the Employee Retirement In-
15 come Security Act of 1974 is amended—

16 (A) in paragraph (1) by striking “exceed the dollar
17 limit under section 203(e)(1)” and inserting “exceed
18 the amount that can be distributed without the partici-
19 pant’s consent under section 203(e)”, and

20 (B) in paragraph (2)(A) by striking “exceeds the
21 dollar limit under section 203(e)(1)” and inserting “ex-
22 ceeds the amount that can be distributed without the
23 participant’s consent under section 203(e)”.

24 (s) AMENDMENT RELATING TO SECTION 652 OF THE
25 ACT.—Section 404(a)(1)(D)(iv) is amended by striking “PLANS
26 MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS” and in-
27 serting “SPECIAL RULE FOR TERMINATING PLANS”.

28 (t) AMENDMENTS RELATING TO SECTION 657 OF THE
29 ACT.—Section 404(c)(3) of the Employee Retirement Income
30 Security Act of 1974 is amended—

31 (1) by striking “the earlier of” in subparagraph (A)
32 the second place it appears, and

33 (2) by striking “if the transfer” and inserting “a
34 transfer that”.

35 (u) AMENDMENTS RELATING TO SECTION 659 OF THE
36 ACT.—

37 (1) Section 4980F is amended—



(A) in subsection (e)(1) by striking “written notice” and inserting “the notice described in paragraph (2)”,

(B) by amending subsection (f)(2)(A) to read as follows:

“(A) any defined benefit plan described in section 401(a) which includes a trust exempt from tax under section 501(a), or”, and

(C) in subsection (f)(3) by striking “significantly” both places it appears.

(2) Section 204(h)(9) of the Employee Retirement Income Security Act of 1974 is amended by striking “significantly” both places it appears.

(3) Section 659(c)(3)(B) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking “(or” and inserting “(and”.

(v) AMENDMENTS RELATING TO SECTION 661 OF THE ACT.—

(1) Section 412(c)(9)(B) is amended—

(A) in clause (ii) by striking “125 percent” and inserting “100 percent”, and

(B) by adding at the end the following new clause:

“(iv) LIMITATION.—A change in funding method to use a prior year valuation, as provided in clause (ii), may not be made unless as of the valuation date within the prior plan year, the value of the assets of the plan are not less than 125 percent of the plan’s current liability (as defined in paragraph (7)(B)).”.

(2) Section 302(c)(9)(B) of the Employee Retirement Income Security Act of 1974 is amended—

(A) in clause (ii) by striking “125 percent” and inserting “100 percent”, and

(B) by adding at the end the following new clause:

“(iv) A change in funding method to use a prior year valuation, as provided in clause (ii), may not be made unless as of the valuation date within the prior plan year, the value of the



1 assets of the plan are not less than 125 percent of the plan's
2 current liability (as defined in paragraph (7)(B)).”.

3 (w) AMENDMENTS RELATING TO SECTION 662 OF THE
4 ACT.—

5 (1) Section 404(k) is amended—

6 (A) in paragraph (1) by striking “during the tax-
7 able year”,

8 (B) in paragraph (2)(B) by striking “(A)(iii)” and
9 inserting “(A)(iv)”,

10 (C) in paragraph (4)(B) by striking “(iii)” and in-
11 serting “(iv)”, and

12 (D) by redesignating subparagraph (B) of para-
13 graph (4) (as amended by subparagraph (C)) as sub-
14 paragraph (C) of paragraph (4) and by inserting after
15 subparagraph (A) the following new subparagraph:

16 “(B) REINVESTMENT DIVIDENDS.—For purposes
17 of subparagraph (A), an applicable dividend reinvested
18 pursuant to clause (iii)(II) of paragraph (2)(A) shall be
19 treated as paid in the taxable year of the corporation
20 in which such dividend is reinvested in qualifying em-
21 ployer securities or in which the election under clause
22 (iii) of paragraph (2)(A) is made, whichever is later.”.

23 (2) Section 404(k) is amended by adding at the end
24 the following new paragraph:

25 “(7) FULL VESTING.—In accordance with section 411,
26 an applicable dividend described in clause (iii)(II) of para-
27 graph (2)(A) shall be subject to the requirements of section
28 411(a)(1).”.

29 (x) EFFECTIVE DATE.—Except as provided in subsection
30 (c), the amendments made by this section shall take effect as
31 if included in the provisions of the Economic Growth and Tax
32 Relief Reconciliation Act of 2001 to which they relate.

33 **SEC. 512. AMENDMENTS RELATED TO COMMUNITY RE-**
34 **NEWAL TAX RELIEF ACT OF 2000.**

35 (a) AMENDMENT RELATED TO SECTION 101 OF THE
36 ACT.—Section 469(i)(3)(E) is amended by striking clauses (ii),
37 (iii), and (iv) and inserting the following:



1 “(ii) second to the portion of such loss to
2 which subparagraph (C) applies,

3 “(iii) third to the portion of the passive activ-
4 ity credit to which subparagraph (B) or (D) does
5 not apply,

6 “(iv) fourth to the portion of such credit to
7 which subparagraph (B) applies, and”.

8 (b) AMENDMENT RELATED TO SECTION 306 OF THE
9 ACT.—Section 151(c)(6)(C) is amended—

10 (1) by striking “FOR EARNED INCOME CREDIT.—For
11 purposes of section 32, an” and inserting “FOR PRINCIPAL
12 PLACE OF ABODE REQUIREMENTS.—An”, and

13 (2) by striking “requirement of section
14 32(c)(3)(A)(ii)” and inserting “principal place of abode re-
15 quirements of section 2(a)(1)(B), section 2(b)(1)(A), and
16 section 32(c)(3)(A)(ii)”.

17 (c) AMENDMENT RELATED TO SECTION 309 OF THE
18 ACT.—Subparagraph (A) of section 358(h)(1) is amended to
19 read as follows:

20 “(A) which is assumed by another person as part
21 of the exchange, and”.

22 (d) AMENDMENTS RELATED TO SECTION 401 OF THE
23 ACT.—

24 (1)(A) Section 1234A is amended by inserting “or”
25 after the comma at the end of paragraph (1), by striking
26 “or” at the end of paragraph (2), and by striking para-
27 graph (3).

28 (B)(i) Section 1234B is amended in subsection (a)(1)
29 and in subsection (b) by striking “sale or exchange” the
30 first place it appears in each subsection and inserting
31 “sale, exchange, or termination”.

32 (ii) Section 1234B is amended by adding at the end
33 the following new subsection:

34 “(f) CROSS REFERENCE.—

**“For special rules relating to dealer securities
futures contracts, see section 1256.”**

35 (2) Section 1091(e) is amended—



(A) in the heading, by striking “SECURITIES.—”
and inserting “SECURITIES AND SECURITIES FUTURES
CONTRACTS TO SELL.—”,

(B) by inserting after “closing of a short sale of”
the following: “(or a securities futures contract to
sell)”,

(C) in paragraph (2), by inserting after “short
sale of” the following: “(or securities futures contracts
to sell)”, and

(D) by adding at the end the following:

“For purposes of this subsection, the term ‘securities futures
contract’ has the meaning provided by section 1234B(c).”.

(3) Section 1233(e)(2) is amended by striking “and”
at the end of subparagraph (C), by striking the period and
inserting “; and” at the end of subparagraph (D), and by
adding at the end the following:

“(E) entering into a securities futures contract (as
so defined) to sell shall be treated as entering into a
short sale, and the sale, exchange, or termination of a
securities futures contract to sell shall be treated as the
closing of a short sale.”.

(e) EFFECTIVE DATE.—The amendments made by this
section shall take effect as if included in the provisions of the
Community Renewal Tax Relief Act of 2000 to which they re-
late.

**SEC. 513. AMENDMENTS RELATED TO THE TAX RELIEF
EXTENSION ACT OF 1999.**

(a) AMENDMENTS RELATED TO SECTION 545 OF THE
ACT.—Section 857(b)(7) is amended—

(1) in clause (i) of subparagraph (B), by striking “the
amount of which” and inserting “to the extent the amount
of the rents”, and

(2) in subparagraph (C), by striking “if the amount”
and inserting “to the extent the amount”.

(b) EFFECTIVE DATE.—The amendments made by this
section shall take effect as if included in section 545 of the Tax
Relief Extension Act of 1999.



1 **SEC. 514. AMENDMENTS RELATED TO THE TAXPAYER**
2 **RELIEF ACT OF 1997.**

3 (a) AMENDMENTS RELATED TO SECTION 311 OF THE
4 ACT.—Section 311(e) of the Taxpayer Relief Act of 1997 (Pub-
5 lic Law 105–34; 111 Stat. 836) is amended—

6 (1) in paragraph (2)(A), by striking “recognized” and
7 inserting “included in gross income”, and

8 (2) by adding at the end the following new paragraph:

9 “(5) DISPOSITION OF INTEREST IN PASSIVE ACTIV-
10 ITY.—Section 469(g)(1)(A) of the Internal Revenue Code
11 of 1986 shall not apply by reason of an election made
12 under paragraph (1).”.

13 (b) EFFECTIVE DATE.—The amendments made by this
14 section shall take effect as if included in section 311 of the
15 Taxpayer Relief Act of 1997.

16 **SEC. 515. AMENDMENT RELATED TO THE BALANCED**
17 **BUDGET ACT OF 1997.**

18 (a) AMENDMENT RELATED TO SECTION 4006 OF THE
19 ACT.—Section 26(b)(2) is amended by striking “and” at the
20 end of subparagraph (P), by striking the period and inserting
21 “, and” at the end of subparagraph (Q), and by adding at the
22 end the following new subparagraph:

23 “(R) section 138(c)(2) (relating to penalty for dis-
24 tributions from Medicare+Choice MSA not used for
25 qualified medical expenses if minimum balance not
26 maintained).”.

27 (b) EFFECTIVE DATE.—The amendment made by this sec-
28 tion shall take effect as if included in section 4006 of the Bal-
29 anced Budget Act of 1997.

30 **SEC. 516. OTHER TECHNICAL CORRECTIONS.**

31 (a) COORDINATION OF ADVANCED PAYMENTS OF EARNED
32 INCOME CREDIT.—

33 (1) Section 32(g)(2) is amended by striking “subpart”
34 and inserting “part”.

35 (2) The amendment made by this subsection shall take
36 effect as if included in section 474 of the Tax Reform Act
37 of 1984.



(b) DISCLOSURE BY SOCIAL SECURITY ADMINISTRATION
TO FEDERAL CHILD SUPPORT AGENCIES.—

(1) Section 6103(l)(8) is amended—

(A) in the heading, by striking “STATE AND
LOCAL” and inserting “FEDERAL, STATE, AND LOCAL”,
and

(B) in subparagraph (A), by inserting “Federal
or” before “State or local”.

(2) The amendments made by this subsection shall
take effect on the date of the enactment of this Act.

(c) TREATMENT OF SETTLEMENTS UNDER PARTNERSHIP
AUDIT RULES.—

(1) The following provisions are each amended by in-
serting “or the Attorney General (or his delegate)” after
“Secretary” each place it appears:

(A) Paragraphs (1) and (2) of section 6224(c).

(B) Section 6229(f)(2).

(C) Section 6231(b)(1)(C).

(D) Section 6234(g)(4)(A).

(2) The amendments made by this subsection shall
apply with respect to settlement agreements entered into
after the date of the enactment of this Act.

(d) AMENDMENT RELATED TO PROCEDURE AND ADMINIS-
TRATION.—

(1) Section 6331(k)(3) (relating to no levy while cer-
tain offers pending or installment agreement pending or in
effect) is amended to read as follows:

“(3) CERTAIN RULES TO APPLY.—Rules similar to the
rules of—

“(A) paragraphs (3) and (4) of subsection (i), and

“(B) except in the case of paragraph (2)(C), para-
graph (5) of subsection (i),

shall apply for purposes of this subsection.”.

(2) The amendment made by this subsection shall take
effect on the date of the enactment of this Act.

(e) MODIFIED ENDOWMENT CONTRACTS.—Paragraph (2)
of section 318(a) of the Community Renewal Tax Relief Act of



2000 (114 Stat. 2763A–645) is repealed, and clause (ii) of section 7702A(c)(3)(A) shall read and be applied as if the amendment made by such paragraph had not been enacted.

SEC. 517. CLERICAL AMENDMENTS.

(1) The subsection (g) of section 25B that relates to termination is redesignated as subsection (h).

(2) Section 51A(c)(1) is amended by striking “51(d)(10)” and inserting “51(d)(11)”.

(3) Section 172(b)(1)(F)(i) is amended—

(A) by striking “3 years” and inserting “3 taxable years”, and

(B) by striking “2 years” and inserting “2 taxable years”.

(4) Section 351(h)(1) is amended by inserting a comma after “liability”.

(5) Section 741 is amended by striking “which have appreciated substantially in value”.

(6) Section 857(b)(7)(B)(i) is amended by striking “subsection 856(d)” and inserting “section 856(d)”.

(7) Section 1394(c)(2) is amended by striking “subparagraph (A)” and inserting “paragraph (1)”.

(8)(A) Section 6227(d) is amended by striking “subsection (b)” and inserting “subsection (c)”.

(B) Section 6228 is amended—

(i) in subsection (a)(1), by striking “subsection (b) of section 6227” and inserting “subsection (c) of section 6227”,

(ii) in subsection (a)(3)(A), by striking “subsection (b) of”, and

(iii) in subsections (b)(1) and (b)(2)(A), by striking “subsection (c) of section 6227” and inserting “subsection (d) of section 6227”.

(C) Section 6231(b)(2)(B)(i) is amended by striking “section 6227(c)” and inserting “section 6227(d)”.

(9) Section 1221(b)(1)(B)(i) is amended by striking “1256(b))” and inserting “1256(b)))”.



1 (10) Section 618(b)(2) of the Economic Growth and
2 Tax Relief Reconciliation Act of 2001 (Public Law 107–16;
3 115 Stat. 108) is amended—

4 (A) in subparagraph (A) by striking “203(d)” and
5 inserting “202(f)”, and

6 (B) in subparagraphs (C), (D), and (E) by strik-
7 ing “203” and inserting “202(f)”.

8 (11)(A) Section 525 of the Ticket to Work and Work
9 Incentives Improvement Act of 1999 (Public Law 106–170;
10 113 Stat. 1928) is amended by striking “7200” and insert-
11 ing “7201”.

12 (B) Section 532(c)(2) of such Act (113 Stat. 1930) is
13 amended—

14 (i) in subparagraph (D), by striking “341(d)(3)”
15 and inserting “341(d)”, and

16 (ii) in subparagraph (Q), by striking
17 “954(c)(1)(B)(iii) and inserting “954(c)(1)(B)”.

18 **SEC. 518. ADDITIONAL CORRECTIONS.**

19 (a) AMENDMENTS RELATED TO SECTION 202 OF THE
20 ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT
21 OF 2001.—

22 (1) Subsection (h) of section 23 is amended—

23 (A) by striking “subsection (a)(1)(B)” and insert-
24 ing “subsection (a)(3)”, and

25 (B) by adding at the end the following new flush
26 sentence:

27 “If any amount as increased under the preceding sentence is
28 not a multiple of \$10, such amount shall be rounded to the
29 nearest multiple of \$10.”

30 (2) Subsection (f) of section 137 is amended by adding
31 at the end the following new flush sentence:

32 “If any amount as increased under the preceding sentence is
33 not a multiple of \$10, such amount shall be rounded to the
34 nearest multiple of \$10.”

35 (b) AMENDMENTS RELATED TO SECTION 204 OF THE
36 ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT
37 OF 2001.—Section 21(d)(2) is amended—



1 (1) in subparagraph (A) by striking “\$200” and in-
2 serting “\$250”, and

3 (2) in subparagraph (B) by striking “\$400” and in-
4 serting “\$500”.

5 (c) EFFECTIVE DATE.—The amendments made by this
6 section shall take effect as if included in the provisions of the
7 Economic Growth and Tax Relief Reconciliation Act of 2001 to
8 which they relate.

9 **TITLE VI—UNEMPLOYMENT**
10 **ASSISTANCE**

11 **SEC. 601. SHORT TITLE.**

12 This title may be cited as the “Temporary Extended Un-
13 employment Compensation Act of 2002”.

14 **SEC. 602. FEDERAL-STATE AGREEMENTS.**

15 (a) IN GENERAL.—Any State which desires to do so may
16 enter into and participate in an agreement under this title with
17 the Secretary of Labor (in this title referred to as the “Sec-
18 retary”). Any State which is a party to an agreement under
19 this title may, upon providing 30 days’ written notice to the
20 Secretary, terminate such agreement.

21 (b) PROVISIONS OF AGREEMENT.—Any agreement under
22 subsection (a) shall provide that the State agency of the State
23 will make payments of temporary extended unemployment com-
24 pensation to individuals who—

25 (1) have exhausted all rights to regular compensation
26 under the State law or under Federal law with respect to
27 a benefit year (excluding any benefit year that ended before
28 March 15, 2001);

29 (2) have no rights to regular compensation or ex-
30 tended compensation with respect to a week under such law
31 or any other State unemployment compensation law or to
32 compensation under any other Federal law;

33 (3) are not receiving compensation with respect to
34 such week under the unemployment compensation law of
35 Canada; and



1 (4) filed an initial claim for regular compensation on
2 or after March 15, 2001.

3 (c) EXHAUSTION OF BENEFITS.—For purposes of sub-
4 section (b)(1), an individual shall be deemed to have exhausted
5 such individual's rights to regular compensation under a State
6 law when—

7 (1) no payments of regular compensation can be made
8 under such law because such individual has received all reg-
9 ular compensation available to such individual based on em-
10 ployment or wages during such individual's base period; or

11 (2) such individual's rights to such compensation have
12 been terminated by reason of the expiration of the benefit
13 year with respect to which such rights existed.

14 (d) WEEKLY BENEFIT AMOUNT, ETC.—For purposes of
15 any agreement under this title—

16 (1) the amount of temporary extended unemployment
17 compensation which shall be payable to any individual for
18 any week of total unemployment shall be equal to the
19 amount of the regular compensation (including dependents'
20 allowances) payable to such individual during such individ-
21 ual's benefit year under the State law for a week of total
22 unemployment;

23 (2) the terms and conditions of the State law which
24 apply to claims for regular compensation and to the pay-
25 ment thereof shall apply to claims for temporary extended
26 unemployment compensation and the payment thereof,
27 except—

28 (A) that an individual shall not be eligible for tem-
29 porary extended unemployment compensation under
30 this title unless, in the base period with respect to
31 which the individual exhausted all rights to regular
32 compensation under the State law, the individual had
33 20 weeks of full-time insured employment or the equiv-
34 alent in insured wages, as determined under the provi-
35 sions of the State law implementing section 202(a)(5)
36 of the Federal-State Extended Unemployment Com-
37 pensation Act of 1970 (26 U.S.C. 3304 note); and



1 (B) where otherwise inconsistent with the provi-
2 sions of this title or with the regulations or operating
3 instructions of the Secretary promulgated to carry out
4 this title; and

5 (3) the maximum amount of temporary extended un-
6 employment compensation payable to any individual for
7 whom a temporary extended unemployment compensation
8 account is established under section 603 shall not exceed
9 the amount established in such account for such individual.

10 (e) ELECTION BY STATES.—Notwithstanding any other
11 provision of Federal law (and if State law permits), the Gov-
12 ernor of a State that is in an extended benefit period may pro-
13 vide for the payment of temporary extended unemployment
14 compensation in lieu of extended compensation to individuals
15 who otherwise meet the requirements of this section. Such an
16 election shall not require a State to trigger off an extended
17 benefit period.

18 **SEC. 603. TEMPORARY EXTENDED UNEMPLOYMENT**
19 **COMPENSATION ACCOUNT.**

20 (a) IN GENERAL.—Any agreement under this title shall
21 provide that the State will establish, for each eligible individual
22 who files an application for temporary extended unemployment
23 compensation, a temporary extended unemployment compensa-
24 tion account with respect to such individual's benefit year.

25 (b) AMOUNT IN ACCOUNT.—

26 (1) IN GENERAL.—The amount established in an ac-
27 count under subsection (a) shall be equal to the lesser of—

28 (A) 50 percent of the total amount of regular com-
29 pensation (including dependents' allowances) payable to
30 the individual during the individual's benefit year under
31 such law, or

32 (B) 13 times the individual's average weekly ben-
33 efit amount for the benefit year.

34 (2) WEEKLY BENEFIT AMOUNT.—For purposes of this
35 subsection, an individual's weekly benefit amount for any
36 week is the amount of regular compensation (including de-



pendents' allowances) under the State law payable to such individual for such week for total unemployment.

(c) SPECIAL RULE.—

(1) IN GENERAL.—Notwithstanding any other provision of this section, if, at the time that the individual's account is exhausted, such individual's State is in an extended benefit period (as determined under paragraph (2)), then, such account shall be augmented by an amount equal to the amount originally established in such account (as determined under subsection (b)(1)).

(2) EXTENDED BENEFIT PERIOD.—For purposes of paragraph (1), a State shall be considered to be in an extended benefit period if, at the time of exhaustion (as described in paragraph (1))—

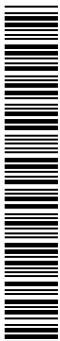
(A) such a period is then in effect for such State under the Federal-State Extended Unemployment Compensation Act of 1970; or

(B) such a period would then be in effect for such State under such Act if section 203(d) of such Act were applied as if it had been amended by striking “5” each place it appears and inserting “4”.

SEC. 604. PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION.

(a) GENERAL RULE.—There shall be paid to each State that has entered into an agreement under this title an amount equal to 100 percent of the temporary extended unemployment compensation paid to individuals by the State pursuant to such agreement.

(b) TREATMENT OF REIMBURSABLE COMPENSATION.—No payment shall be made to any State under this section in respect of any compensation to the extent the State is entitled to reimbursement in respect of such compensation under the provisions of any Federal law other than this title or chapter 85 of title 5, United States Code. A State shall not be entitled to any reimbursement under such chapter 85 in respect of any



1 compensation to the extent the State is entitled to reimburse-
2 ment under this title in respect of such compensation.

3 (c) DETERMINATION OF AMOUNT.—Sums payable to any
4 State by reason of such State having an agreement under this
5 title shall be payable, either in advance or by way of reimburse-
6 ment (as may be determined by the Secretary), in such
7 amounts as the Secretary estimates the State will be entitled
8 to receive under this title for each calendar month, reduced or
9 increased, as the case may be, by any amount by which the
10 Secretary finds that the Secretary's estimates for any prior cal-
11 endar month were greater or less than the amounts which
12 should have been paid to the State. Such estimates may be
13 made on the basis of such statistical, sampling, or other meth-
14 od as may be agreed upon by the Secretary and the State agen-
15 cy of the State involved.

16 **SEC. 605. FINANCING PROVISIONS.**

17 (a) IN GENERAL.—Funds in the extended unemployment
18 compensation account (as established by section 905(a) of the
19 Social Security Act (42 U.S.C. 1105(a)) of the Unemployment
20 Trust Fund (as established by section 904(a) of such Act (42
21 U.S.C. 1104(a)) shall be used for the making of payments to
22 States having agreements entered into under this title.

23 (b) CERTIFICATION.—The Secretary shall from time to
24 time certify to the Secretary of the Treasury for payment to
25 each State the sums payable to such State under this title. The
26 Secretary of the Treasury, prior to audit or settlement by the
27 General Accounting Office, shall make payments to the State
28 in accordance with such certification, by transfers from the ex-
29 tended unemployment compensation account (as so established)
30 to the account of such State in the Unemployment Trust Fund
31 (as so established).

32 (c) ASSISTANCE TO STATES.—There are appropriated out
33 of the employment security administration account (as estab-
34 lished by section 901(a) of the Social Security Act (42 U.S.C.
35 1101(a)) of the Unemployment Trust Fund, without fiscal year
36 limitation, such funds as may be necessary for purposes of as-
37 sisting States (as provided in title III of the Social Security Act



1 (42 U.S.C. 501 et seq.)) in meeting the costs of administration
2 of agreements under this title.

3 (d) APPROPRIATIONS FOR CERTAIN PAYMENTS.—There
4 are appropriated from the general fund of the Treasury, with-
5 out fiscal year limitation, to the extended unemployment com-
6 pensation account (as so established) of the Unemployment
7 Trust Fund (as so established) such sums as the Secretary es-
8 timates to be necessary to make the payments under this sec-
9 tion in respect of—

10 (1) compensation payable under chapter 85 of title 5,
11 United States Code; and

12 (2) compensation payable on the basis of services to
13 which section 3309(a)(1) of the Internal Revenue Code of
14 1986 applies.

15 Amounts appropriated pursuant to the preceding sentence shall
16 not be required to be repaid.

17 **SEC. 606. FRAUD AND OVERPAYMENTS.**

18 (a) IN GENERAL.—If an individual knowingly has made,
19 or caused to be made by another, a false statement or represen-
20 tation of a material fact, or knowingly has failed, or caused an-
21 other to fail, to disclose a material fact, and as a result of such
22 false statement or representation or of such nondisclosure such
23 individual has received an amount of temporary extended un-
24 employment compensation under this title to which he was not
25 entitled, such individual—

26 (1) shall be ineligible for further temporary extended
27 unemployment compensation under this title in accordance
28 with the provisions of the applicable State unemployment
29 compensation law relating to fraud in connection with a
30 claim for unemployment compensation; and

31 (2) shall be subject to prosecution under section 1001
32 of title 18, United States Code.

33 (b) REPAYMENT.—In the case of individuals who have re-
34 ceived amounts of temporary extended unemployment com-
35 pensation under this title to which they were not entitled, the
36 State shall require such individuals to repay the amounts of
37 such temporary extended unemployment compensation to the



1 State agency, except that the State agency may waive such re-
2 payment if it determines that—

3 (1) the payment of such temporary extended unem-
4 ployment compensation was without fault on the part of
5 any such individual; and

6 (2) such repayment would be contrary to equity and
7 good conscience.

8 (c) RECOVERY BY STATE AGENCY.—

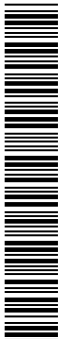
9 (1) IN GENERAL.—The State agency may recover the
10 amount to be repaid, or any part thereof, by deductions
11 from any temporary extended unemployment compensation
12 payable to such individual under this title or from any un-
13 employment compensation payable to such individual under
14 any Federal unemployment compensation law administered
15 by the State agency or under any other Federal law admin-
16 istered by the State agency which provides for the payment
17 of any assistance or allowance with respect to any week of
18 unemployment, during the 3-year period after the date such
19 individuals received the payment of the temporary extended
20 unemployment compensation to which they were not enti-
21 tled, except that no single deduction may exceed 50 percent
22 of the weekly benefit amount from which such deduction is
23 made.

24 (2) OPPORTUNITY FOR HEARING.—No repayment
25 shall be required, and no deduction shall be made, until a
26 determination has been made, notice thereof and an oppor-
27 tunity for a fair hearing has been given to the individual,
28 and the determination has become final.

29 (d) REVIEW.—Any determination by a State agency under
30 this section shall be subject to review in the same manner and
31 to the same extent as determinations under the State unem-
32 ployment compensation law, and only in that manner and to
33 that extent.

34 **SEC. 607. DEFINITIONS.**

35 In this title, the terms “compensation”, “regular com-
36 pensation”, “extended compensation”, “additional compensa-
37 tion”, “benefit year”, “base period”, “State”, “State agency”,



1 “State law”, and “week” have the respective meanings given
2 such terms under section 205 of the Federal-State Extended
3 Unemployment Compensation Act of 1970 (26 U.S.C. 3304
4 note).

5 **SEC. 608. APPLICABILITY.**

6 An agreement entered into under this title shall apply to
7 weeks of unemployment—

8 (1) beginning after the date on which such agreement
9 is entered into; and

10 (2) ending before January 1, 2003.

11 **SEC. 609. SPECIAL REED ACT TRANSFER IN FISCAL**
12 **YEAR 2002.**

13 (a) REPEAL OF CERTAIN PROVISIONS ADDED BY THE
14 BALANCED BUDGET ACT OF 1997.—

15 (1) IN GENERAL.—The following provisions of section
16 903 of the Social Security Act (42 U.S.C. 1103) are re-
17 pealed:

18 (A) Paragraph (3) of subsection (a).

19 (B) The last sentence of subsection (c)(2).

20 (2) SAVINGS PROVISION.—Any amounts transferred
21 before the date of enactment of this Act under the provi-
22 sion repealed by paragraph (1)(A) shall remain subject to
23 section 903 of the Social Security Act, as last in effect be-
24 fore such date of enactment.

25 (b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—Section
26 903 of the Social Security Act is amended by adding at the end
27 the following:

28 “Special Transfer in Fiscal Year 2002

29 “(d)(1) The Secretary of the Treasury shall transfer (as
30 of the date determined under paragraph (5)) from the Federal
31 unemployment account to the account of each State in the Un-
32 employment Trust Fund the amount determined with respect
33 to such State under paragraph (2).

34 “(2)(A) The amount to be transferred under this sub-
35 section to a State account shall (as determined by the Sec-
36 retary of Labor and certified by such Secretary to the Sec-
37 retary of the Treasury) be equal to—



1 “(i) the amount which would have been required to
2 have been transferred under this section to such account at
3 the beginning of fiscal year 2002 if—

4 “(I) section 609(a)(1) of the Temporary Extended
5 Unemployment Compensation Act of 2002 had been en-
6 acted before the close of fiscal year 2001, and

7 “(II) section 5402 of Public Law 105–33 (relating
8 to increase in Federal unemployment account ceiling)
9 had not been enacted,

10 minus

11 “(ii) the amount which was in fact transferred under
12 this section to such account at the beginning of fiscal year
13 2002.

14 “(B) Notwithstanding the provisions of subparagraph
15 (A)—

16 “(i) the aggregate amount transferred to the States
17 under this subsection may not exceed a total of
18 \$8,000,000,000; and

19 “(ii) all amounts determined under subparagraph (A)
20 shall be reduced ratably, if and to the extent necessary in
21 order to comply with the limitation under clause (i).

22 “(3)(A) Except as provided in paragraph (4), amounts
23 transferred to a State account pursuant to this subsection may
24 be used only in the payment of cash benefits—

25 “(i) to individuals with respect to their unemployment,
26 and

27 “(ii) which are allowable under subparagraph (B) or
28 (C).

29 “(B)(i) At the option of the State, cash benefits under this
30 paragraph may include amounts which shall be payable as—

31 “(I) regular compensation, or

32 “(II) additional compensation, upon the exhaustion of
33 any temporary extended unemployment compensation (if
34 such State has entered into an agreement under the Tem-
35 porary Extended Unemployment Compensation Act of
36 2002), for individuals eligible for regular compensation
37 under the unemployment compensation law of such State.



1 “(ii) Any additional compensation under clause (i) may
2 not be taken into account for purposes of any determination re-
3 lating to the amount of any extended compensation for which
4 an individual might be eligible.

5 “(C)(i) At the option of the State, cash benefits under this
6 paragraph may include amounts which shall be payable to 1 or
7 more categories of individuals not otherwise eligible for regular
8 compensation under the unemployment compensation law of
9 such State, including those described in clause (iii).

10 “(ii) The benefits paid under this subparagraph to any in-
11 dividual may not, for any period of unemployment, exceed the
12 maximum amount of regular compensation authorized under
13 the unemployment compensation law of such State for that
14 same period, plus any additional compensation (described in
15 subparagraph (B)(i)) which could have been paid with respect
16 to that amount.

17 “(iii) The categories of individuals described in this clause
18 include the following:

19 “(I) Individuals who are seeking, or available for, only
20 part-time (and not full-time) work.

21 “(II) Individuals who would be eligible for regular
22 compensation under the unemployment compensation law
23 of such State under an alternative base period.

24 “(D) Amounts transferred to a State account under this
25 subsection may be used in the payment of cash benefits to indi-
26 viduals only for weeks of unemployment beginning after the
27 date of enactment of this subsection.

28 “(4) Amounts transferred to a State account under this
29 subsection may be used for the administration of its unemploy-
30 ment compensation law and public employment offices (includ-
31 ing in connection with benefits described in paragraph (3) and
32 any recipients thereof), subject to the same conditions as set
33 forth in subsection (c)(2) (excluding subparagraph (B) thereof,
34 and deeming the reference to ‘subsections (a) and (b)’ in sub-
35 paragraph (D) thereof to include this subsection).

36 “(5) Transfers under this subsection shall be made within
37 10 days after the date of enactment of this paragraph.”



(c) LIMITATIONS ON TRANSFERS.—Section 903(b) of the Social Security Act shall apply to transfers under section 903(d) of such Act (as amended by this section). For purposes of the preceding sentence, such section 903(b) shall be deemed to be amended as follows:

(1) By substituting “the transfer date described in subsection (d)(5)” for “October 1 of any fiscal year”.

(2) By substituting “remain in the Federal unemployment account” for “be transferred to the Federal unemployment account as of the beginning of such October 1”.

(3) By substituting “fiscal year 2002 (after the transfer date described in subsection (d)(5))” for “the fiscal year beginning on such October 1”.

(4) By substituting “under subsection (d)” for “as of October 1 of such fiscal year”.

(5) By substituting “(as of the close of fiscal year 2002)” for “(as of the close of such fiscal year)”.

(d) TECHNICAL AMENDMENTS.—(1) Sections 3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue Code of 1986 are amended by inserting “or 903(d)(4)” before “of the Social Security Act”.

(2) Section 303(a)(5) of the Social Security Act is amended in the second proviso by inserting “or 903(d)(4)” after “903(c)(2)”.

(e) REGULATIONS.—The Secretary of Labor may prescribe any operating instructions or regulations necessary to carry out this section and the amendments made by this section.

TITLE VII—DISPLACED WORKER HEALTH INSURANCE CREDIT

SEC. 701. DISPLACED WORKER HEALTH INSURANCE CREDIT.

(a) IN GENERAL.—Subchapter B of chapter 65 is amended by inserting after section 6428 the following new section:

“SEC. 6429. DISPLACED WORKER HEALTH INSURANCE CREDIT.

“(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by subtitle



1 A an amount equal to 60 percent of the amount paid during
2 the taxable year for coverage for the taxpayer, the taxpayer's
3 spouse, and dependents of the taxpayer under qualified health
4 insurance during eligible coverage months.

5 “(b) ONLY 12 ELIGIBLE COVERAGE MONTHS.—The num-
6 ber of eligible coverage months taken into account under sub-
7 section (a) for all taxable years shall not exceed 12.

8 “(c) ELIGIBLE COVERAGE MONTH.—For purposes of this
9 section—

10 “(1) IN GENERAL.—The term ‘eligible coverage
11 month’ means any month during 2002 or 2003 if, as of the
12 first day of such month—

13 “(A) the taxpayer is unemployed,

14 “(B) the taxpayer is covered by qualified health
15 insurance,

16 “(C) the premium for coverage under such insur-
17 ance for such month is paid by the taxpayer, and

18 “(D) the taxpayer does not have other specified
19 coverage.

20 “(2) SPECIAL RULES.—

21 “(A) TREATMENT OF FIRST MONTH OF EMPLOY-
22 MENT.—The taxpayer shall be treated as meeting the
23 requirement of paragraph (1)(A) for the first month
24 beginning on or after the date that the taxpayer ceases
25 to be unemployed by reason of beginning work for an
26 employer.

27 “(B) INITIAL CLAIM MUST BE AFTER MARCH 15,
28 2001.—The taxpayer shall not be treated as meeting the
29 requirement of paragraph (1)(A) with respect to any
30 unemployment if the initial claim for regular compensa-
31 tion for such unemployment is filed on or before March
32 15, 2001.

33 “(C) JOINT RETURNS.—In the case of a joint re-
34 turn, the requirements of paragraph (1) shall be treat-
35 ed as met if at least 1 spouse satisfies such require-
36 ments.



1 “(3) OTHER SPECIFIED COVERAGE.—For purposes of
2 this subsection, an individual has other specified coverage
3 for any month if, as of the first day of such month—

4 “(A) SUBSIDIZED COVERAGE.—

5 “(i) IN GENERAL.—Such individual is covered
6 under any qualified health insurance under which
7 at least 50 percent of the cost of coverage (deter-
8 mined under section 4980B) is paid or incurred by
9 an employer (or former employer) of the taxpayer
10 or the taxpayer’s spouse.

11 “(ii) TREATMENT OF CAFETERIA PLANS AND
12 FLEXIBLE SPENDING ACCOUNTS.—For purposes of
13 clause (i), the cost of benefits—

14 “(I) which are chosen under a cafeteria
15 plan (as defined in section 125(d)), or provided
16 under a flexible spending or similar arrange-
17 ment, of such an employer, and

18 “(II) which are not includible in gross in-
19 come under section 106,
20 shall be treated as borne by such employer.

21 “(B) COVERAGE UNDER MEDICARE, MEDICAID, OR
22 SCHIP.—Such individual—

23 “(i) is entitled to benefits under part A of title
24 XVIII of the Social Security Act or is enrolled
25 under part B of such title, or

26 “(ii) is enrolled in the program under title
27 XIX or XXI of such Act.

28 “(C) CERTAIN OTHER COVERAGE.—Such
29 individual—

30 “(i) is enrolled in a health benefits plan under
31 chapter 89 of title 5, United States Code, or

32 “(ii) is entitled to receive benefits under chap-
33 ter 55 of title 10, United States Code.

34 “(4) DETERMINATION OF UNEMPLOYMENT.—For pur-
35 poses of paragraph (1), an individual shall be treated as
36 unemployed during any period—



1 “(A) for which such individual is receiving unem-
2 ployment compensation (as defined in section 85(b)), or

3 “(B) for which such individual is certified by a
4 State agency (or by any other entity designated by the
5 Secretary) as otherwise being entitled to receive unem-
6 ployment compensation (as so defined) but for—

7 “(i) the termination of the period during
8 which such compensation was payable, or

9 “(ii) an exhaustion of such individual’s rights
10 to such compensation.

11 “(d) QUALIFIED HEALTH INSURANCE.—For purposes of
12 this section, the term ‘qualified health insurance’ means insur-
13 ance which constitutes medical care; except that such term
14 shall not include any insurance if substantially all of its cov-
15 erage is of excepted benefits described in section 9832(c).

16 “(e) COORDINATION WITH ADVANCE PAYMENTS OF
17 CREDIT.—

18 “(1) RECAPTURE OF EXCESS ADVANCE PAYMENTS.—
19 If any payment is made by the Secretary under section
20 7527 during any calendar year to a provider of qualified
21 health insurance for an individual, then the tax imposed by
22 this chapter for the individual’s last taxable year beginning
23 in such calendar year shall be increased by the aggregate
24 amount of such payments.

25 “(2) RECONCILIATION OF PAYMENTS ADVANCED AND
26 CREDIT ALLOWED.—Any increase in tax under paragraph
27 (1) shall not be treated as tax imposed by this chapter for
28 purposes of determining the amount of any credit (other
29 than the credit allowed by subsection (a)) allowable under
30 part IV of subchapter A of chapter 1.

31 “(f) SPECIAL RULES.—

32 “(1) COORDINATION WITH OTHER DEDUCTIONS.—
33 Amounts taken into account under subsection (a) shall not
34 be taken into account in determining any deduction allowed
35 under section 162(l) or 213.



1 “(2) MSA DISTRIBUTIONS.—Amounts distributed
2 from an Archer MSA (as defined in section 220(d)) shall
3 not be taken into account under subsection (a).

4 “(3) DENIAL OF CREDIT TO DEPENDENTS.—No credit
5 shall be allowed under this section to any individual with
6 respect to whom a deduction under section 151 is allowable
7 to another taxpayer for a taxable year beginning in the cal-
8 endar year in which such individual’s taxable year begins.

9 “(4) CREDIT TREATED AS REFUNDABLE CREDIT.—
10 For purposes of this title, the credit allowed under this sec-
11 tion shall be treated as a credit allowable under subpart C
12 of part IV of subchapter A of chapter 1.

13 “(5) REGULATIONS.—The Secretary may prescribe
14 such regulations and other guidance as may be necessary
15 or appropriate to carry out this section and section 7527.”.

16 (b) INCREASED ACCESS TO HEALTH INSURANCE FOR IN-
17 DIVIDUALS ELIGIBLE FOR TAX CREDIT THROUGH USE OF
18 GUARANTEED ISSUE, QUALIFIED HIGH RISK POOLS, AND
19 OTHER APPROPRIATE STATE MECHANISMS.—

20 (1) IN GENERAL.—Notwithstanding any other provi-
21 sion of law, in applying section 2741 of the Public Health
22 Service Act (42 U.S.C. 300gg–41)) and any alternative
23 State mechanism under section 2744 of such Act (42
24 U.S.C.300gg–44)), in determining who is an eligible indi-
25 vidual (as defined in section 2741(b) of such Act) in the
26 case of an individual who may be covered by insurance for
27 which credit is allowable under section 6429 of the Internal
28 Revenue Code of 1986 for an eligible coverage month, if
29 the individual seeks to obtain health insurance coverage
30 under such section during an eligible coverage month under
31 such section—

32 (A) paragraph (1) of such section 2741(b) shall be
33 applied as if any reference to 18 months is deemed a
34 reference to 12 months, and

35 (B) paragraphs (4) and (5) of such section
36 2741(b) shall not apply.



1 (2) PROMOTION OF STATE HIGH RISK POOLS.—Title
2 XXVII of the Public Health Service Act is amended by in-
3 serting after section 2744 the following new section:

4 **“SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK**
5 **POOLS.**

6 “(a) SEED GRANTS TO STATES.—The Secretary shall pro-
7 vide from the funds appropriated under subsection (c)(1) a
8 grant of up to \$1,000,000 to each State that has not created
9 a qualified high risk pool as of the date of the enactment of
10 this section for the State’s costs of creation and initial oper-
11 ation of such a pool.

12 “(b) MATCHING FUNDS FOR OPERATION OF POOLS.—

13 “(1) IN GENERAL.—In the case of a State that has es-
14 tablished a qualified high risk pool that restricts premiums
15 charged under the pool to no more than 150 percent of the
16 premium for applicable standard risk rates and that offers
17 a choice of two or more coverage options through the pool,
18 from the funds appropriated under subsection (c)(2) and
19 allotted to the State under paragraph (2), the Secretary
20 shall provide a grant of up to 50 percent of the losses in-
21 curred by the State in connection with the operation of the
22 pool.

23 “(2) ALLOTMENT.—The amounts appropriated under
24 subsection (c)(2) for a fiscal year shall be made available
25 to the States in accordance with a formula that is based
26 upon the number of uninsured individuals in the States.

27 “(3) CONSTRUCTION.—Nothing in this subsection
28 shall be construed as preventing a State from
29 supplementing the funds made available under this sub-
30 section for the support and operation of qualified high risk
31 pools.

32 “(c) FUNDING.—Out of any money in the Treasury of the
33 United States not otherwise appropriated, there are
34 appropriated—

35 “(1) \$20,000,000 for fiscal year 2002 to carry out
36 subsection (a); and



1 “(2) \$40,000,000 for each of fiscal years 2002 and
2 2003.

3 Funds appropriated under this subsection for a fiscal year shall
4 remain available for obligation through the end of the following
5 fiscal year. Nothing in this section shall be construed as pro-
6 viding a State with an entitlement to a grant under this sec-
7 tion.

8 “(d) QUALIFIED HIGH RISK POOL AND STATE DE-
9 FINED.—For purposes of this section, the term ‘qualified high
10 risk pool’ has the meaning given such term in section
11 2744(c)(2) and the term ‘State’ means any of the 50 States
12 and the District of Columbia.”.

13 (3) CONSTRUCTION.—Nothing in this subsection shall
14 be construed as affecting the ability of a State to use mech-
15 anisms, described in sections 2741(c) and 2744 of the Pub-
16 lic Health Service Act, as an alternative to applying the
17 guaranteed availability provisions of section 2741(a) of
18 such Act.

19 (c) INFORMATION REPORTING.—

20 (1) IN GENERAL.—Subpart B of part III of sub-
21 chapter A of chapter 61 (relating to information concerning
22 transactions with other persons) is amended by inserting
23 after section 6050S the following new section:

24 **“SEC. 6050T. RETURNS RELATING TO DISPLACED WORK-**
25 **ER HEALTH INSURANCE CREDIT.**

26 “(a) REQUIREMENT OF REPORTING.—Every person—

27 “(1) who, in connection with a trade or business con-
28 ducted by such person, receives payments during any cal-
29 endar year from any individual for coverage of such indi-
30 vidual or any other individual under qualified health insur-
31 ance (as defined in section 6429(d)), and

32 “(2) who claims a reimbursement for an advance cred-
33 it amount,
34 shall, at such time as the Secretary may prescribe, make the
35 return described in subsection (b) with respect to each indi-
36 vidual from whom such payments were received or for whom
37 such a reimbursement is claimed.



1 “(b) FORM AND MANNER OF RETURNS.—A return is de-
2 scribed in this subsection if such return—

3 “(1) is in such form as the Secretary may prescribe,
4 and

5 “(2) contains—

6 “(A) the name, address, and TIN of each indi-
7 vidual referred to in subsection (a),

8 “(B) the aggregate of the advance credit amounts
9 provided to such individual and for which reimburse-
10 ment is claimed,

11 “(C) the number of months for which such ad-
12 vance credit amounts are so provided, and

13 “(D) such other information as the Secretary may
14 prescribe.

15 “(c) STATEMENTS TO BE FURNISHED TO INDIVIDUALS
16 WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—
17 Every person required to make a return under subsection (a)
18 shall furnish to each individual whose name is required to be
19 set forth in such return a written statement showing—

20 “(1) the name and address of the person required to
21 make such return and the phone number of the information
22 contact for such person, and

23 “(2) the information required to be shown on the re-
24 turn with respect to such individual.

25 The written statement required under the preceding sentence
26 shall be furnished on or before January 31 of the year fol-
27 lowing the calendar year for which the return under subsection
28 (a) is required to be made.

29 “(d) ADVANCE CREDIT AMOUNT.—For purposes of this
30 section, the term ‘advance credit amount’ means an amount for
31 which the person can claim a reimbursement pursuant to a pro-
32 gram established by the Secretary under section 7527.”

33 (2) ASSESSABLE PENALTIES.—

34 (A) Subparagraph (B) of section 6724(d)(1) (re-
35 lating to definitions) is amended by redesignating
36 clauses (xi) through (xvii) as clauses (xii) through



1 (xviii), respectively, and by inserting after clause (x)
2 the following new clause:

3 “(xi) section 6050T (relating to returns relat-
4 ing to displaced worker health insurance credit),”.

5 (B) Paragraph (2) of section 6724(d) is amended
6 by striking “or” at the end of subparagraph (Z), by
7 striking the period at the end of subparagraph (AA)
8 and inserting “, or”, and by adding after subparagraph
9 (AA) the following new subparagraph:

10 “(BB) section 6050T (relating to returns relating
11 to displaced worker health insurance credit).”

12 (3) CLERICAL AMENDMENT.—The table of sections for
13 subpart B of part III of subchapter A of chapter 61 is
14 amended by inserting after the item relating to section
15 6050S the following new item:

“Sec. 6050T. Returns relating to displaced worker health in-
surance credit.”

16 (d) CONFORMING AMENDMENTS.—

17 (1) Paragraph (2) of section 1324(b) of title 31,
18 United States Code, is amended by inserting before the pe-
19 riod “, or from section 6429 of such Code”.

20 (2) The table of sections for subchapter B of chapter
21 65 is amended by adding at the end the following new item:

“Sec. 6429. Displaced worker health insurance credit.”

22 (e) EFFECTIVE DATE.—The amendments made by this
23 section shall apply to taxable years beginning after December
24 31, 2001.

25 **SEC. 702. ADVANCE PAYMENT OF DISPLACED WORKER**
26 **HEALTH INSURANCE CREDIT.**

27 (a) IN GENERAL.—Chapter 77 (relating to miscellaneous
28 provisions) is amended by adding at the end the following new
29 section:

30 **“SEC. 7527. ADVANCE PAYMENT OF DISPLACED WORKER**
31 **HEALTH INSURANCE CREDIT.**

32 “(a) GENERAL RULE.—The Secretary shall establish a
33 program for making payments on behalf of eligible individuals
34 to providers of health insurance for such individuals.



1 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this section,
 2 the term ‘eligible individual’ means any individual for whom a
 3 qualified health insurance credit eligibility certificate is in ef-
 4 fect.

5 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-
 6 BILITY CERTIFICATE.—For purposes of this section, a qualified
 7 health insurance credit eligibility certificate is a statement cer-
 8 tified by a State agency (or by any other entity designated by
 9 the Secretary) which—

10 “(1) certifies that the individual was unemployed
 11 (within the meaning of section 6429) as of the first day of
 12 any month, and

13 “(2) provides such other information as the Secretary
 14 may require for purposes of this section.”

15 (b) CLERICAL AMENDMENT.—The table of sections for
 16 chapter 77 is amended by adding at the end the following new
 17 item:

“Sec. 7527. Advance payment of displaced worker health in-
 surance credit.”

18 (c) EFFECTIVE DATE.—The amendments made by this
 19 section shall take effect on the date of the enactment of this
 20 Act.

21 **TITLE VIII—EMPLOYMENT AND** 22 **TRAINING ASSISTANCE AND** 23 **TEMPORARY HEALTH CARE COV-** 24 **ERAGE ASSISTANCE**

25 **SEC. 801. EMPLOYMENT AND TRAINING ASSISTANCE** 26 **AND TEMPORARY HEALTH CARE COVERAGE** 27 **ASSISTANCE.**

28 (a) IN GENERAL.—Section 173(a) of the Workforce In-
 29 vestment Act of 1998 (29 U.S.C. 2918(a)) is amended—

30 (1) in paragraph (2), by striking “and” at the end;

31 (2) in paragraph (3), by striking the period at the end
 32 and inserting “; and”; and

33 (3) by adding at the end the following:

34 “(4) to the Governor of any State or outlying area
 35 who applies for assistance under subsection (f) to provide



1 employment and training assistance and temporary health
2 care coverage assistance to workers affected by major eco-
3 nomic dislocations, such as plant closures, mass layoffs, or
4 multiple layoffs, including those dislocations caused by the
5 terrorist attacks of September 11, 2001.”.

6 (b) REQUIREMENTS.—Section 173 of the Workforce In-
7 vestment Act of 1998 (29 U.S.C. 2918) is amended by adding
8 at the end the following:

9 “(f) ADDITIONAL RELIEF FOR MAJOR ECONOMIC DIS-
10 LOCATIONS.—

11 “(1) GRANT RECIPIENT ELIGIBILITY.—

12 “(A) IN GENERAL.—To be eligible to receive a
13 grant under subsection (a)(4), a Governor shall submit
14 an application, for assistance described in subpara-
15 graph (B), to the Secretary at such time, in such man-
16 ner, and containing such information as the Secretary
17 may require.

18 “(B) TYPES OF ASSISTANCE.—

19 “(i) IN GENERAL.—Assistance described in
20 this subparagraph is—

21 “(I) employment and training assistance,
22 including employment and training activities
23 described in section 134; and

24 “(II) temporary health care coverage as-
25 sistance described in paragraph (4).

26 “(ii) MINIMUM ALLOCATION TO TEMPORARY
27 HEALTH CARE COVERAGE ASSISTANCE.—Not less
28 than 30 percent of the cost of assistance requested
29 in any application submitted under this subsection
30 shall consist of the cost for temporary health care
31 coverage assistance described in paragraph (4).

32 “(iii) ENCOURAGEMENT OF CERTAIN TYPES
33 OF HEALTH CARE COVERAGE.—In publishing re-
34 quirements for applications under this subsection,
35 the Secretary shall encourage the use of private
36 health coverage alternatives.



1 “(C) MINIMUM AWARD REQUIREMENT FOR ELIGI-
2 BLE STATES AND OUTLYING AREAS.—

3 “(i) REQUIREMENTS.—In any case in which
4 the requirements of this section are met in connec-
5 tion with one or more applications of the Governor
6 of any State or outlying area for assistance de-
7 scribed in subparagraph (B), the Governor—

8 “(I) shall be awarded at least 1 grant
9 under subsection (a)(4) pursuant to such appli-
10 cations, and

11 “(II) except as provided in clause (ii),
12 shall be awarded not less than \$5,000,000 in
13 total grants awarded under (a)(4).

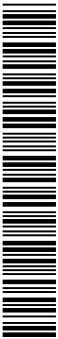
14 “(ii) EXCEPTION TO MINIMUM GRANT RE-
15 QUIREMENTS.—The Secretary may award to a Gov-
16 ernor a total amount less than the minimum total
17 amount specified in clause (i)(II), as appropriate, if
18 the Governor—

19 “(I) requests less than such minimum
20 total amount, or

21 “(II) fails to demonstrate to the Secretary
22 that there are a sufficient number of eligible
23 recipients to justify the awarding of grants in
24 such minimum total amount.

25 “(2) STATE ADMINISTRATION.—The Governor may
26 designate one or more local workforce investment boards or
27 other entities with the capability to respond to the cir-
28 cumstances relating to the particular closure, layoff, or
29 other dislocation to administer the grant under subsection
30 (a)(4).

31 “(3) PARTICIPANT ELIGIBILITY.—An individual shall
32 be eligible to receive assistance described in paragraph
33 (1)(B) under a grant awarded under subsection (a)(4) if
34 such individual is a dislocated worker and the Governor has
35 certified that a major economic dislocation, such as a plant
36 closure, mass layoff, or multiple layoff, including a disloca-



tion caused by the terrorist attacks of September 11, 2001,
contributed importantly to the dislocation.

“(4) TEMPORARY HEALTH CARE COVERAGE ASSIST-
ANCE.—

“(A) IN GENERAL.—Temporary health care cov-
erage assistance described in this paragraph consists of
health care coverage premium assistance provided to
qualified individuals under this paragraph with respect
to premiums for coverage for themselves, for their
spouses, for their dependents, or for any combination
thereof, other than premiums for excluded health insur-
ance coverage.

“(B) QUALIFIED INDIVIDUALS.—For purposes of
this paragraph—

“(i) IN GENERAL.—Subject to clause (ii), a
qualified individual is an individual who—

“(I) is a dislocated worker referred to in
paragraph (3) with respect to whom the Gov-
ernor has made the certification regarding the
dislocation as required under such paragraph,
and

“(II) is receiving or has received employ-
ment and training assistance as described in
paragraph (1)(B)(i)(I).

“(ii) LIMITATION.—An individual shall not be
treated as a qualified individual if—

“(I) such individual is eligible for coverage
under the program under title XIX of the So-
cial Security Act applicable in the State or out-
lying area, or

“(II) such individual is eligible for cov-
erage under the program under title XXI of
such Act applicable in the State or outlying
area,

unless such eligibility is effective solely in connec-
tion with eligibility for health care coverage pre-
mium assistance under a program established by



1 the Governor in connection with temporary health
2 care coverage assistance received under this sub-
3 section.

4 “(iii) CONSTRUCTION.—

5 “(I) PERMITTING COVERAGE THROUGH
6 ENROLLMENT IN MEDICAID OR SCHIP.—Noth-
7 ing in this subsection shall be construed as pre-
8 venting a State from using funds made avail-
9 able by reason of subsection (a)(4) to provide
10 health care coverage through enrollment in the
11 program under title XIX (relating to medicaid)
12 or in the program under title XXI (relating to
13 SCHIP) of the Social Security Act, but only in
14 the case of individuals who are not otherwise
15 eligible for coverage under either such program.

16 “(II) NOT AFFECTING ELIGIBILITY FOR
17 ASSISTANCE.—An individual shall not be treat-
18 ed for purposes of this subsection as being eli-
19 gible for coverage under either such program
20 (and thereby not eligible for assistance under
21 this subsection) merely on the basis that the
22 State provides assistance under this subsection
23 through coverage under either such program.

24 “(C) LIMITATION ON ENTITLEMENT.—Nothing in
25 this subsection shall be construed as establishing any
26 entitlement of qualified individuals to premium assist-
27 ance under this subsection.

28 “(D) CONCURRENCE AND CONSULTATION.—In
29 connection with any temporary health care coverage as-
30 sistance provided pursuant to this paragraph—

31 “(i) if the Secretary determines that health
32 care coverage premium assistance provided through
33 title XIX or XXI of the Social Security Act is a
34 substantial component of the assistance provided,
35 the Secretary shall act in concurrence with the Sec-
36 retary of Health and Human Services, and



1 “(ii) in any other case, the Secretary shall
2 consult with the Secretary of Health and Human
3 Services to the extent that such assistance affects
4 programs administered by or under the Secretary
5 of Health and Human Services.

6 “(E) USE OF FUNDS.—Temporary health care
7 coverage assistance provided pursuant to this sub-
8 section shall supplement and may not supplant any
9 other State or local funds used to provide health care
10 coverage and may not be included in determining the
11 amount of non-Federal contributions required under
12 any program.

13 “(F) DEFINITIONS.—For purposes of this
14 paragraph—

15 “(i) EXCLUDED HEALTH CARE COVERAGE.—
16 The term ‘excluded health care coverage’ means
17 coverage under—

18 “(I) title XVIII of the Social Security Act,

19 “(II) chapter 55 of title 10, United States
20 Code,

21 “(III) chapter 17 of title 38, United
22 States Code,

23 “(IV) chapter 89 of title 5, United States
24 Code (other than coverage which is comparable
25 to continuation coverage under section 4980B
26 of the Internal Revenue Code of 1986), or

27 “(V) the Indian Health Care Improvement
28 Act.

29 Such term also includes coverage under a qualified
30 long-term care insurance contract and excepted
31 benefits described in section 733(c) of the Em-
32 ployee Retirement Income Security Act of 1974.

33 “(ii) PREMIUM.—The term ‘premium’ means,
34 in connection with health care coverage, the pre-
35 mium which would (but for this section) be charged
36 for the cost of coverage.

37 “(5) APPROPRIATIONS.—



1 “(A) IN GENERAL.—There is hereby appropriated,
2 from any amounts in the Treasury not otherwise appro-
3 priated, \$3,900,000,000 for the period consisting of fis-
4 cal years 2002, 2003, and 2004 for the award of
5 grants under subsection (a)(4) in accordance with this
6 section.

7 “(B) AVAILABILITY.—Amounts appropriated pur-
8 suant to subparagraph (A) for each fiscal year—

9 “(i) are in addition to amounts made available
10 under section 132(a)(2)(A) or any other provision
11 of law to carry out this section; and

12 “(ii) notwithstanding section 189(g)(1), shall
13 remain available for obligation by the Secretary
14 from the date of the enactment of this subsection
15 through each succeeding fiscal year, except that,
16 notwithstanding section 189(g)(2), no funds are
17 hereby available for expenditure after June 30,
18 2004.”.

19 **TITLE IX—TEMPORARY STATE** 20 **HEALTH CARE ASSISTANCE**

21 **SEC. 901. TEMPORARY STATE HEALTH CARE ASSIST-** 22 **ANCE.**

23 (a) IN GENERAL.—Title XXI of the Social Security Act is
24 amended by adding at the end the following new section:

25 **“SEC. 2111. TEMPORARY STATE HEALTH CARE ASSIST-** 26 **ANCE.**

27 “(a) IN GENERAL.—For the purpose of providing allot-
28 ments to States under this section, there are hereby appro-
29 priated, out of any funds in the Treasury not otherwise appro-
30 priated, \$4,599,667,448. Such funds shall be available for ex-
31 penditure by the State through the end of 2002. This section
32 constitutes budget authority in advance of appropriations Acts
33 and represents the obligation of the Federal Government to
34 provide for the payment to States of amounts provided under
35 this section.



1 “(b) ALLOTMENT.—Funds appropriated under subsection
2 (a) shall be allotted by the Secretary among the States in ac-
3 cordance with the following table:

“State	Allotment (in dollars)
Alabama	50,746,770
Alaska	31,934,026
Arizona	68,594,677
Arkansas	38,203,601
California	482,591,746
Colorado	37,469,775
Connecticut	60,039,005
Delaware	10,355,807
District of Columbia	18,321,834
Florida	164,619,369
Georgia	118,754,564
Hawaii	12,827,163
Idaho	13,031,700
Illinois	175,505,956
Indiana	66,067,368
Iowa	31,521,201
Kansas	27,288,967
Kentucky	82,759,133
Louisiana	83,907,301
Maine	22,650,838
Maryland	60,347,066
Massachusetts	121,971,140
Michigan	156,479,213
Minnesota	113,966,453
Mississippi	55,335,225
Missouri	74,675,436
Montana	10,224,652
Nebraska	31,582,786
Nevada	14,695,973
New Hampshire	15,482,962
New Jersey	115,880,093
New Mexico	39,204,714
New York	573,999,663
North Carolina	189,333,723
North Dakota	8,915,675
Ohio	166,006,936
Oklahoma	48,914,626
Oregon	71,160,353
Pennsylvania	227,183,255
Rhode Island	45,001,680
South Carolina	94,789,740
South Dakota	19,951,788
Tennessee	102,845,128
Texas	289,526,532
Utah	30,860,915
Vermont	10,291,090
Virginia	67,232,217
Washington	110,377,264
West Virginia	31,120,804
Wisconsin	93,089,086
Wyoming	12,030,459

4 “(c) USE OF FUNDS.—

5 “(1) IN GENERAL.—Funds appropriated under this
6 section may be used by a State only to provide health care
7 items and services (other than types of items and services
8 for which Federal financial participation is prohibited
9 under this title or title XIX).

10 “(2) LIMITATION.—Funds so appropriated may not be
11 used to match other Federal expenditures or in any other



1 manner that results in the expenditure of Federal funds in
2 excess of the amounts provided under this section.

3 “(d) PAYMENT TO STATES.—Funds made available under
4 this section shall be paid to the States in a form and manner
5 and time specified by the Secretary, based upon the submission
6 of such information as the Secretary may require. There is no
7 requirement for the expenditure of any State funds in order to
8 qualify for receipt of funds under this section. The previous
9 sections of this title shall not apply with respect to funds pro-
10 vided under this section.

11 “(e) DEFINITION.—For purposes of this section, the term
12 ‘State’ means the 50 States and the District of Columbia.”.

13 (b) REPEAL.—Effective as of January 1, 2003, section
14 2111 of the Social Security Act, as inserted by subsection (a),
15 is repealed.

16 **TITLE X—SOCIAL SECURITY HELD**
17 **HARMLESS; BUDGETARY TREAT-**
18 **MENT OF ACT**

19 **SEC. 1001. NO IMPACT ON SOCIAL SECURITY TRUST**
20 **FUNDS.**

21 (a) IN GENERAL.—Nothing in this Act (or an amendment
22 made by this Act) shall be construed to alter or amend title
23 II of the Social Security Act (or any regulation promulgated
24 under that Act).

25 (b) TRANSFERS.—

26 (1) ESTIMATE OF SECRETARY.—The Secretary of the
27 Treasury shall annually estimate the impact that the enact-
28 ment of this Act has on the income and balances of the
29 trust funds established under section 201 of the Social Se-
30 curity Act (42 U.S.C. 401).

31 (2) TRANSFER OF FUNDS.—If, under paragraph (1),
32 the Secretary of the Treasury estimates that the enactment
33 of this Act has a negative impact on the income and bal-
34 ances of the trust funds established under section 201 of
35 the Social Security Act (42 U.S.C. 401), the Secretary
36 shall transfer, not less frequently than quarterly, from the



1 general revenues of the Federal Government an amount
2 sufficient so as to ensure that the income and balances of
3 such trust funds are not reduced as a result of the enact-
4 ment of this Act.

5 **SEC. 1002. EMERGENCY DESIGNATION.**

6 Congress designates as emergency requirements pursuant
7 to section 252(e) of the Balanced Budget and Emergency Def-
8 icit Control Act of 1985 the following amounts:

9 (1) An amount equal to the amount by which revenues
10 are reduced by this Act below the recommended levels of
11 Federal revenues for fiscal year 2002, the total of fiscal
12 years 2002 through 2006, and the total of fiscal years
13 2002 through 2011, provided in the conference report ac-
14 companying H. Con. Res. 83, the concurrent resolution on
15 the budget for fiscal year 2002.

16 (2) Amounts equal to the amounts of new budget au-
17 thority and outlays provided in this Act in excess of the al-
18 locations under section 302(a) of the Congressional Budget
19 Act of 1974 to the Committee on Finance of the Senate
20 for fiscal year 2002, the total of fiscal years 2002 through
21 2006, and the total of fiscal years 2002 through 2011.

 In lieu of the matter proposed to be inserted by the
 amendment of the Senate to the title of the bill, insert
 the following:

 To provide tax incentives for economic recovery and as-
 sistance to displaced workers.

